



The Australian Industry Group  
51 Walker Street  
North Sydney NSW 2060  
PO Box 289  
North Sydney NSW 2059  
Australia  
ABN 76 369 958 788

5 February 2018

Mr Sebastian Roberts  
General Manager  
Australian Energy Regulator  
GPO Box 520  
Melbourne Vic 3001

Dear Mr Roberts

### **TransGrid's Revised Revenue Proposal – 2018/19-2022/23**

The Australian Industry Group (Ai Group) welcomes the opportunity to comment on TransGrid's revised revenue proposal (December 2017).

Ai Group is a peak employer organisation representing traditional, innovative and emerging industry sectors. We are a national organisation and have been supporting businesses across Australia for more than 140 years. We are genuinely representative of Australian industry. Together with partner organisations Ai Group represents the interests of more than 60,000 businesses employing more than 1 million staff. Our members include small and large businesses in sectors including manufacturing, construction, engineering, transport & logistics, labour hire, mining services, the defence industry, civil airlines and ICT.

Ai Group acknowledges the critical importance of TransGrid's transmission infrastructure in providing electricity to NSW, and particularly to the City of Sydney. The City of Sydney is a major contributor to the NSW and national economies. Ai Group believes that it is in the long-term interest of NSW electricity consumers that TransGrid's transmission infrastructure be maintained and upgraded to a standard where it can provide safe, reliable, secure and affordable electricity to consumers.

Ai Group notes the constructive way in which TransGrid and the Australian Energy Regulator (AER) have collaborated since the draft determination, to address key concerns raised by stakeholders. We acknowledge the role of the AER to provide a comprehensive and rigorous review of TransGrid's original and revised revenue proposals. We note that the AER and TransGrid have reached agreement on several key aspects of the revenue determination, notably operating expenditure (OPEX) and the weighted average cost of capital (WACC).

Ai Group commends TransGrid for its extensive engagement with stakeholders over the course of the revenue determination process, particularly through TransGrid's Advisory Council (TAC) and the Revenue Proposal Working Group (RPWG). The key issues raised by stakeholders included the range of demand forecasts considered, the failure rate of existing cables and how non-network solutions could mitigate the risk of electricity supply disruption to the City of Sydney. TransGrid have made a meaningful attempt to incorporate the key recommendations made by stakeholders into the Regulatory Investment Test for Transmission (RIT-T) process.

Ai Group notes the complex nature of this revenue determination process against a backdrop of significant uncertainty in energy markets and ongoing regulatory developments. The key issues requiring resolution are the determination of the optimal trade-off between security of supply and network maintenance and network augmentation to meet expected growth in energy demand. TransGrid's engagement with stakeholders, particularly through the RPWG and TAC indicates the vital importance of implementing the Powering Sydney Future (PSF) project to meet expected growth in energy demand in the City of Sydney. TransGrid have revised the timing of their investment plans for the PSF with a single 330kV cable to be completed during the 2018-2023 revenue period and investment in the second 330kV cable to be



The Australian Industry Group  
51 Walker Street  
North Sydney NSW 2060  
Australia  
ABN 76 369 958 788

deferred until there is a need to meet additional demand. This investment strategy will effectively allow for greater consideration of non-network options such as demand management and batteries as an alternative to further network augmentation. On balance, given the acknowledged poor state of the existing ageing oil-filled cables and the high consequences of failure, and despite differences of view between stakeholders on regional demand growth, the revised PSF proposal appears reasonable.

Should the AER be interested in further discussing the matters raised in this letter, please contact our adviser Ali Rahman (02 9466 5443, [Ali.Rahman@aigroup.com.au](mailto:Ali.Rahman@aigroup.com.au)).

Yours sincerely,

Peter Burn  
Head of Influence and Policy