



Appendix A7

Revised Proposed Contingent Projects



Revised Proposed Contingent Projects

1 July 2008 to 30 June 2013

18 January 2008

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1. Introduction

ElectraNet's revised list of proposed contingent projects for the 1 July 2008 to 30 June 2013 regulatory control period is presented in Table 4.10 of its revised Revenue Proposal.

The AER in its draft decision considered that two of the projects originally proposed by ElectraNet should not be included as contingent projects:

- The Northern Transmission Reinforcement project because the AER considered the proposed trigger event is not capable of objective verification (clause 6A.8.1(b)(4)) and because it contains capital works for assets, which provide both prescribed transmission services and negotiated transmission services, and therefore does not satisfy clause 6A.8.1(b); and
- The Parafield Gardens West project because the AER considered it contains capital works for assets which provide both prescribed transmission services and negotiated transmission services, and therefore does not satisfy clause 6A.8.1(b).

ElectraNet's response to the AER's draft decision is set out in section 4.7.1 of its revised Revenue Proposal.

This document includes amended project summaries for the Northern Transmission Reinforcement project and the Parafield Gardens West project for inclusion in the AER's final determination.

2. Northern Transmission Reinforcement

2.1 Project Description

This project involves installing dynamic and static reactive plant at or in the vicinity of Davenport substation to allow power transfers on ElectraNet's shared transmission network between Adelaide and Port Augusta.

ElectraNet considers that the project should be accepted as a contingent project for the next regulatory control period because of uncertainty about the trigger event occurring and the scope and costs of the project.

2.2 Trigger Event

A customer application to connect or amend the connection agreement in accordance with Chapter 5 of the National Electricity Rules and the application of the Regulatory Test for prescribed transmission services demonstrating that the proposed scope of works is both prudent and efficient.

This trigger event is specific and capable of objective verification, relates to a specific location or locations, and is probable but too uncertain to include the proposed contingent project in the capital expenditure forecast.

2.3 Project Requirement

When the proposed BHP Billiton Olympic Dam expansion project reaches a loading of approximately 340 MW¹, the existing shared transmission system between Adelaide and Port Augusta will no longer be able to support the required power transfer.

Augmentation of the shared transmission system, which falls within the National Electricity Rules definition of prescribed transmission services, will be required to address this limitation.

Both the timing and the ultimate magnitude of the expansion project and therefore, the transmission requirements are uncertain at this time.

However, if the trigger event occurs the proposed contingent project would be reasonably required to meet the Rules capital expenditure objectives to efficiently meet expected demand for prescribed transmission services, comply with all applicable regulatory obligations associated with the provision of prescribed transmission services and maintain the quality, reliability and security of supply of prescribed transmission services.

¹ The magnitude of the load at which the transmission network can no longer support the required power transfer is dependant upon other loads throughout the State – 340 MW is based on current demand forecasts and the currently proposed timing of the BHP Billiton Olympic Dam expansion. This amount would alter under other demand and expansion timing scenarios.

2.4 Contingent Capital Expenditure

The proposed contingent project is estimated to cost \$75 million.

This estimate is based on the installation of two Static Var Compensators (SVCs) at Davenport substation, the associated installation of two 100 Mvar 275 kV capacitor banks and additional controls on the Davenport 275 kV line reactors to provide the SVCs an extended dynamic range.

The methodology used for developing the forecast cost estimate is described in section 5.7.7 of ElectraNet's Revenue Proposal (May 2007).

ElectraNet notes that by definition it is generally not possible to accurately define the scope of a proposed contingent project at this early stage. Therefore, the estimated cost of the project is indicative only. A detailed project scope and cost estimate will be required before any amendment to the revenue determination is considered by the AER should the specified trigger event occur during the regulatory period.

The estimated contingent capital expenditure exceeds the applicable contingent project threshold of \$10.7 million (see section 4.7.1 of ElectraNet's revised Revenue Proposal).

2.5 Demonstration of Rules Compliance

ElectraNet considers that the project should be accepted as a contingent project for the regulatory control period as it is:

- (a) not otherwise provided for in the total forecast capital expenditure;
- (b) reasonably reflects the capital expenditure criteria, noting that the costs are an estimate at this point;
- (c) exceeds the contingent project threshold as set out in 2.4;
- (d) is reasonably required to achieve the capital expenditure objectives as set out in 2.3; and
- (e) has an appropriately defined trigger event as set out in 2.2.

3. Parafield Gardens West

3.1 Project Description

Reconfiguring existing transmission lines in the vicinities of Para and/or Parafield Gardens West substations.

ElectraNet considers that the project should be accepted as a contingent project for the next regulatory control period because of uncertainty about the trigger event occurring.

3.2 Trigger Event

Application of the Regulatory Test demonstrating that the project would deliver net market benefits.

This trigger event is specific and capable of objective verification, relates to a specific location, and is probable but too uncertain to include the proposed contingent project in the capital expenditure forecast.

3.3 Project Requirement

If existing generation expanded or new generation connected, or committed to connect, to the Le Fevre Peninsula or through the Torrens Island to Parafield Gardens West area, constraints would be likely on power flows out of that area through the existing prescribed shared transmission network.

If the trigger event occurs the proposed contingent project would deliver net market benefits and be reasonably required to meet the Rules capital expenditure objective to efficiently meet the expected demand for prescribed transmission services over the regulatory control period.

3.4 Contingent Capital Expenditure

The proposed contingent project is estimated to cost \$14 million.

This estimate is based on turning a 275 kV transmission line into a substation and creating a new 275 kV breaker-and-a-half diameter.

Depending on the magnitude and rate of generation expansion it is possible that this scope of works will need to be repeated at other locations.

It is important to note that the proposed contingent project scope of works is in the shared transmission network and physically removed from any generation connection. The scope of works does not include any new or expanded facilities to connect generation to the transmission network. Therefore, in accordance with the National Electricity Rules, the works are entirely for the provision of prescribed transmission services.

The methodology used for developing the forecast cost estimate is described in section 5.7.7 of ElectraNet's Revenue Proposal.

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The estimated cost of the project is indicative only. A detailed project scope and cost estimate will be required before any amendment to the revenue determination is considered by the AER should the specified trigger event occur during the regulatory period.

The estimated contingent capital expenditure for even the minimal project scope described above exceeds the applicable contingent project threshold of \$10.7 million (see section 4.7.1 of ElectraNet's revised Revenue Proposal).

3.5 Demonstration of Rules Compliance

ElectraNet considers that the project should be accepted as a contingent project for the regulatory control period as it is:

- (a) not otherwise provided for in the total forecast capital expenditure;
- (b) reasonably reflects the capital expenditure criteria, noting that the costs are an estimate at this point;
- (c) exceeds the contingent project threshold as set out in 3.4;
- (d) is reasonably required to achieve the capital expenditure objectives as set out in 3.3; and
- (e) has an appropriately defined trigger event as set out in 3.2.

