

# Planning Report – Watsonia (WT) Zone Substation

**AMS – Electricity Distribution Network**

**PUBLIC**

Document number	AMS 20-257
Issue number	1
Status	Approved
Approver	T. Langstaff
Date of approval	23/07/2019

---

**Planning Report Watsonia (WT) Zone Substation**

---

**ISSUE/AMENDMENT STATUS**

Issue	Date	Description	Author	Approved
1	23/07/2019	First Issue	Networks Planning	T Langstaff

**Disclaimer**

This document belongs to AusNet Services and may or may not contain all available information on the subject matter this document purports to address.

The information contained in this document is subject to review and AusNet Services may amend this document at any time. Amendments will be indicated in the Amendment Table, but AusNet Services does not undertake to keep this document up to date.

To the maximum extent permitted by law, AusNet Services makes no representation or warranty (express or implied) as to the accuracy, reliability, or completeness of the information contained in this document, or its suitability for any intended purpose. AusNet Services (which, for the purposes of this disclaimer, includes all of its related bodies corporate, its officers, employees, contractors, agents and consultants, and those of its related bodies corporate) shall have no liability for any loss or damage (be it direct or indirect, including liability by reason of negligence or negligent misstatement) for any statements, opinions, information or matter (expressed or implied) arising out of, contained in, or derived from, or for any omissions from, the information in this document.

**Contact**

This document is the responsibility of the Regulated Energy Services division of AusNet Services.

Please contact the indicated owner of the document with any inquiries.

T Langstaff  
AusNet Services  
Level 31, 2 Southbank Boulevard  
Melbourne Victoria 3006  
Ph: (03) 9695 6000

## Planning Report Watsonia (WT) Zone Substation

### TABLE OF CONTENTS

<b>ISSUE/AMENDMENT STATUS .....</b>	<b>2</b>
<b>1 Executive Summary .....</b>	<b>5</b>
1.1 Identified Need.....	5
1.2 Proposed Preferred Option .....	6
1.3 Next Steps .....	6
<b>2 Introduction.....</b>	<b>7</b>
2.1 Purpose .....	7
2.2 Scope .....	7
2.3 Asset Management Objectives.....	7
<b>3 Background.....</b>	<b>8</b>
3.1 Substation Description .....	8
3.2 Customer Composition .....	9
3.3 Zone Substation Equipment.....	10
3.3.1 Primary Equipment.....	10
3.3.2 Secondary Equipment.....	11
3.4 Asset Condition.....	11
3.5 Zone Substation Supply Capacity .....	12
3.6 Load Duration Curves .....	12
3.7 Feeder Circuit Supply Capacity.....	13
3.8 Load Transfer Capability .....	13
<b>4 Other Issues .....</b>	<b>15</b>
4.1 Regulatory Obligations.....	15
4.2 Station Configuration Supply Risk.....	16
<b>5 Identified Need .....</b>	<b>17</b>
<b>6 Risk and Options Analysis.....</b>	<b>18</b>
6.1 Risk-Cost Model Overview.....	18
6.2 Risk Mitigating Options Considered .....	18
6.2.1 Option 1: Do Nothing.....	18
6.2.2 Option 2: Retire one transformer .....	19
6.2.3 Option 3: Retire one transformer and sure up supply capacity via network support.....	19
6.2.4 Option 4: Use network support to defer retirement and replacement ...	19
6.2.5 Option 5: Replace outdoor 22kV switchgear with three new indoor switchboards .....	19
6.2.6 Option 6: Replace one transformer and 22kV switchgear .....	20
6.2.7 Option 7: Replace two transformers and 22kV switchgear .....	20
6.3 Risk-Cost Model Results.....	20
6.3.1 Existing Service Level Risk .....	20
6.3.2 Economic Cost Benefit Analysis .....	20

---

**Planning Report Watsonia (WT) Zone Substation**

---

6.3.3	Sensitivity Analysis.....	21
6.3.4	Optimal Economic Timing of Proposed Preferred Option .....	22
<b>7</b>	<b>Conclusion and Next Steps.....</b>	<b>23</b>
7.1	Proposed Preferred Option .....	23
7.2	Next Steps .....	23
<b>Appendix A</b>	<b>Preferred Option Details .....</b>	<b>24</b>
A.1	Scope of Work .....	24
A.2	Project Cost Estimate .....	25

---

## Planning Report Watsonia (WT) Zone Substation

---

### 1 Executive Summary

AusNet Services is a regulated Victorian Distribution Network Service Provider (DNSP) that supplies electrical distribution services to more than 745,000 customers. Our electricity distribution network covers eastern rural Victoria and the fringe of the northern and eastern Melbourne metropolitan area.

As expected by our customers and required by the various regulatory instruments that we operate under, AusNet Services aims to maintain service levels at the lowest possible cost to our customers. To achieve this, we develop forward looking plans that aim to maximise the present value of economic benefit to all those who produce, consume and transport electricity in the National Electricity Market (NEM).

This report presents our forward looking investment plans to manage the existing and emerging service level constraints in the Watsonia (WT) Zone Substation supply area to ensure that we maintain service levels to our customers over the short and long term. The report outlines how we quantify service level risk, identifies and assesses the costs and benefits of potential options to mitigate the identified risks, and provides forward looking plans outlining the optimal service level risk mitigation solutions, and timing of those solutions, to maintain service levels.

#### 1.1 Identified Need

Watsonia Zone Substation (WT) commenced operation in the late 1950s with two 66/22kV power transformers. A third transformer was installed in 2010 and the station now includes two 66kV bus-tie circuit breakers and is supplied by two incoming 66kV lines. The outdoor 22kV switchyard consists of eleven 22kV feeders and a 10MVAR capacitor bank.

To manage short circuit current levels within asset capabilities and rules requirements, only two of the power transformers operate in parallel, with the third operating as a hot spare under normal conditions via normally open 22kV transformer circuit breakers connected to each of the 22kV buses. This arrangement allows quick restoration to near system normal capacity following outage of either of the two normally loaded transformers.

There are fifteen 22kV bulk-oil circuit breakers at the station which were installed in the 1950s and 1960s.

The physical and electrical condition of these assets has deteriorated and they are now presenting an increasing risk of failure. The station configuration includes three 66kV buses and two 22kV buses.

The emerging service constraints at WT are:

- Security of supply risks presented by the increased likelihood of failure due to the deteriorating condition of the assets;
- Health and safety risks presented by a possible explosive failure of the bushings on a number of the assets ;
- Plant collateral damage risks presented by a possible explosive failure of a number of the assets;
- Environmental risks associated with insulating oil spill or fire; and
- Reactive asset replacement risks presented by the increasing likelihood of asset failure due to the deteriorating condition of the assets.

---

## Planning Report Watsonia (WT) Zone Substation

---

### 1.2 Proposed Preferred Option

The options analysis identifies that the preferred option, being the one that maximises the net economic benefit to all those that produce, consume and transport electricity in the NEM, is to:

- Replace the 22kV circuit breakers by 2020, at an estimated capital cost of [ C.I.C ] (Real \$2018).

Applying a discount rate of 6.44% per annum, this proposed preferred option has a net economic benefit of [ C.I.C ], relative to the Do Nothing Different option, over the forty-five-year assessment period.

While the optimal timing of the proposed preferred option is by 2020, to allow sufficient time to complete the regulatory investment test for distribution (RIT-D), and to smooth the overall network capital expenditure, AusNet Services plans to implement the proposed preferred option by 2023.

### 1.3 Next Steps

This planning report outlines the service level risk mitigation investment that AusNet Services has assessed as prudent, efficient and providing the optimal balance of supply reliability and cost.

While this report outlines AusNet Services' plans for maintaining service levels, and serves to support AusNet Services' revenue request for the 2022-26 EDPR period, the proposed investment is subject to the regulatory investment test for distribution (RIT-D).

As such, the proposed investment will be confirmed via the formal RIT-D process, which includes publication of three reports at the various RIT-D stages, and includes a formal consultation process where interested parties can make submissions that help identify the optimal solution.

---

## Planning Report Watsonia (WT) Zone Substation

---

## 2 Introduction

### 2.1 Purpose

This planning report outlines asset condition, asset failure risks and network development plans relevant to Watsonia (WT) Zone Substation for the period 2022-26. It provides an analysis of viable options to address the identified risks and maintain the efficient delivery of electrical energy from WT, consistent with the National Electricity Rules (NER) and stakeholder's requirements. It also summarizes the scope, delivery schedule and expenditure associated with the most economical solution to emerging constraints.

### 2.2 Scope

The scope of this planning report is limited to the equipment within Watsonia (WT) Zone Substation.

It excludes sub-transmission and distribution feeders entering and exiting the zone substation.

### 2.3 Asset Management Objectives

As stated in *AMS 01-01 Asset Management System Overview*, the high-level asset management objectives are:

- Comply with legal and contractual obligations;
- Maintain safety;
- Be future ready;
- Maintain network performance at the lowest sustainable cost; and
- Meet customer needs.

As stated in *AMS 20-01 Electricity Distribution Network Asset Management Strategy*, the electricity distribution network objectives are:

- Improve efficiency of network investments
- Maintain long-term network reliability
- Implement REFCLs within prescribed timeframes
- Reduce risks in highest bushfire risk areas
- Achieve top quartile operational efficiency
- Prepare for changing network usage.

## Planning Report Watsonia (WT) Zone Substation

### 3 Background

#### 3.1 Substation Description

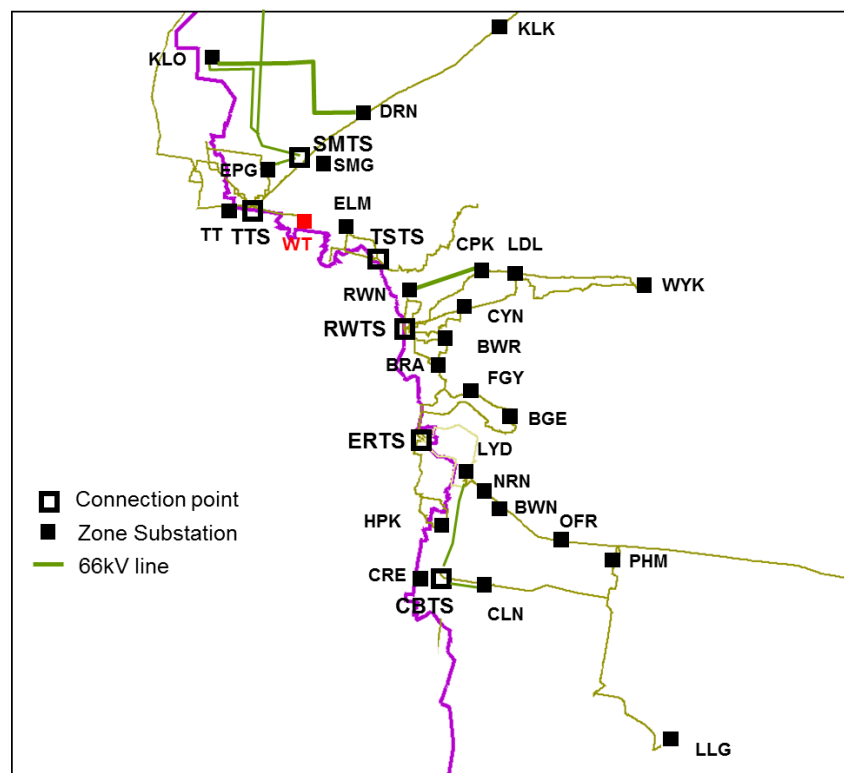
Watsonia (WT) Zone Substation is located in the northern suburbs of metropolitan Melbourne approximately 20km north of Melbourne (Melway map reference 20 E4) and is the main source of supply for the suburbs of Watsonia, Greensborough, Montmorency, Lower Plenty, Macleod and Bundoora.

WT supplies approximately 23,460 AusNet Services customers and 145 Jemena customers. The load at WT includes mostly residential and commercial urban load with some industrial loads and a few farm loads.

The WT Zone Substation area is in the northern suburbs of Melbourne at an elevation of 56m above sea level. WT has typical Melbourne climate with summer average maximum temperatures of 26°C, winter average minimum temperatures of 6°C with extreme temperatures reaching 46°C in summer and -3°C in winter. The average rainfall is 658 mm in this area.

WT is supplied at 66kV via two 66kV circuits that originate from Thomastown Terminal Station (TTS) and Jemena's North Heidelberg Zone Substation (NH).

The location of WT within the AusNet Services distribution network is as shown below in Figure 1.



**Figure 1: WT location within AusNet Services distribution network**

The configuration of primary electrical circuits within WT is as shown in the following single line diagram Figure 2.



## Planning Report Watsonia (WT) Zone Substation

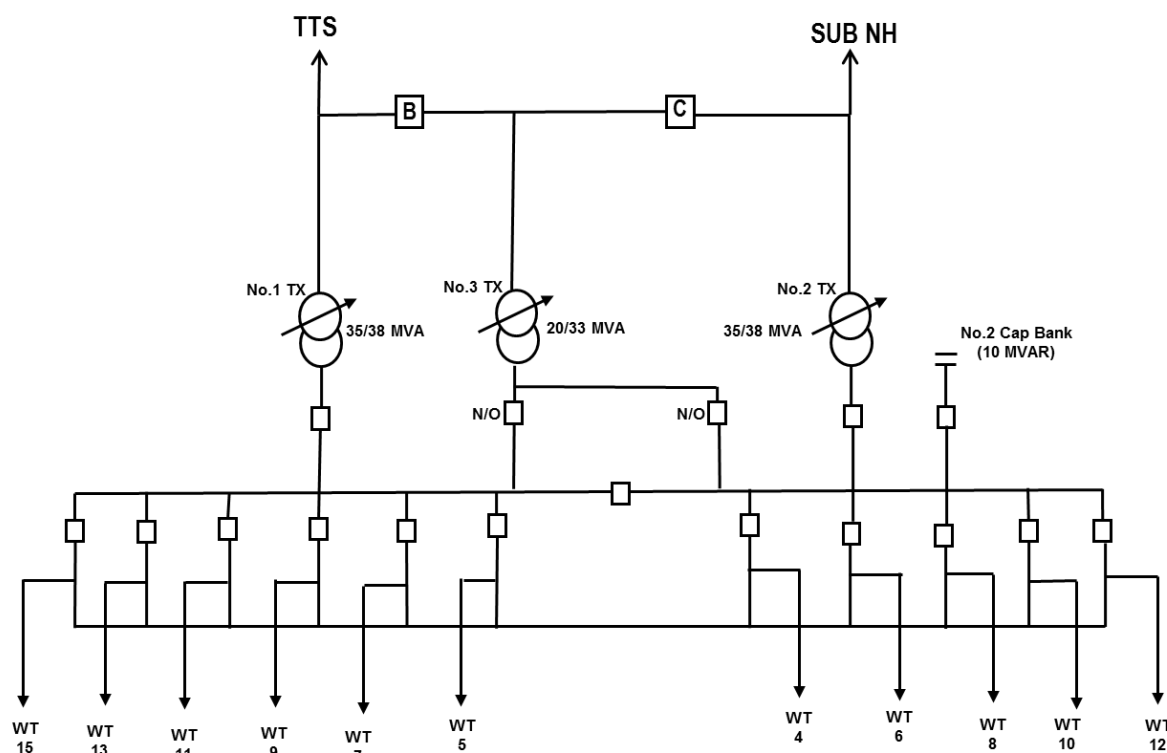


Figure 2: WT Single Line Diagram

### 3.2 Customer Composition

WT has eleven 22kV feeders of which ten supply into the AusNet Services supply area and one supplies into the Jemena electricity network area. Table 1 provides details of the 22kV supply feeders.

Table 1: WT feeder information

Feeder	Feeder Length (km)	Feeder Description	Number of Customers	Customer Type
WT15	8.2	Summer peaking, urban feeder	1,927	98.6% Residential 1.2% Commercial 0.2% Farming
WT13	24.3	Summer peaking urban	3,499	86.2% Residential 13% Commercial 0.7% Industrial 0.1% Farming customers.
WT11	11.1	Summer peaking urban	2,211	94.0% Residential 5.9% Commercial 0.1% Industrial
WT9	14.0	Summer peaking urban	2,841	95.6% Residential 4.2% Commercial 0.2% Industrial
WT7	11.0	Summer peaking urban	2,445	91.6% Residential 7.4% Commercial 1.0% Industrial

## Planning Report Watsonia (WT) Zone Substation

Feeder	Feeder Length (km)	Feeder Description	Number of Customers	Customer Type
WT5	7.3	Summer peaking urban	1,425	91.6% Residential 8.2% Commercial 0.1% Industrial 0.1% Farming
WT4	-	Jemena feeder	145	93.0% Residential 5.0% Commercial 2.0% Industrial
WT6	20.5	Summer peaking urban	3,487	96.1% Residential 3.9% Commercial
WT8	10.7	Summer peaking urban	1,878	95.7% Residential 4.0% Commercial 0.3% Industrial
WT10	5.3	Summer peaking urban	979	83.7% Residential 16.2% Commercial 0.1% Industrial
WT12	14.7	Summer peaking urban	2,768	88.7% Residential 8.6% Commercial 2.7% Industrial

The WT 22kV feeders interconnect with 22 kV feeders from Eltham (ELM) and Thomastown (TT) zone substations, providing a load transfer capability away from WT of 16.5MVA.

### 3.3 Zone Substation Equipment

#### 3.3.1 Primary Equipment

WT includes an air-insulated 66kV switchyard with three 66kV buses separated by bus-tie circuit breakers connected to two incoming 66kV lines from TTS and NH.

There are two 22kV air insulated busbars connected to one another with a bus tie circuit breaker and connected to the three 66/22kV transformers via four transformer circuit breakers (No.3 transformer is double switched). Eleven 22kV feeders and one 10MVAR capacitor bank are connected to these 22kV busbars.

Circuit breaker “B” was replaced in 2016. Circuit breaker “C” is a modern unit installed in the last 5 years.

The 22kV switchyard currently has seventeen 22kV circuit breakers including fifteen bulk-oil circuit breakers installed when the station was established in the 1950s and 1960s.

Transformation comprises two 35/38MVA 66/22kV transformers located in the No.1 and No.2 positions, both of which were installed in the 1950s. A third 66/22kV transformer, rated 20/33MVA, was installed in the No.3 position in 2010. This third 66/22 kV transformer operates as a hot spare with a normally open 22kV circuit breaker connection to each of the two 22kV buses. This hot spare arrangement provides the ability to quickly restore the station to near system normal capacity following an outage either the No.1 or No.2 transformer, while maintaining short circuit levels within asset capabilities and rules requirements.

The station has one 100kVA station service transformer.

## Planning Report Watsonia (WT) Zone Substation

### 3.3.2 Secondary Equipment

The two incoming 66kV lines and buses are protected by current differential and remote trip send and directional overcurrent protection using modern numeric relays.

The No.1 and No.2 66/22kV transformer differential protection is provided by older electronic relays whilst the newer No.3 transformer differential protection is provided by modern numeric relays.

The 22kV bus protection consists of low impedance bus protection and bus distance protection using modern numeric relays.

The 22kV feeder circuit breakers have master earth fault and back up earth fault protection using older electronic relays.

The 22kV capacitor bank protection has overcurrent, earth fault and voltage balance schemes using a modern numeric relay.

The station has duplicated 240V AC systems and battery chargers that supply a 250V DC system for the protection relays and trip coils.

### 3.4 Asset Condition

AMS 10-13 *Condition Monitoring* describes AusNet Services' strategy and approach to monitoring the condition of assets.

Asset condition is measured with reference to an asset health index on a scale of C1 to C5. Table 2 provides a description of the asset condition scores.

**Table 2: Asset condition Score and Remaining Service Potential**

Condition Score	Condition	Condition Description
C1	Very Good	Initial service condition
C2	Good	Deterioration has minimal impact on asset performance. Minimal short term asset failure risk.
C3	Average	Functionally sound showing some wear with minor failures, but asset still functions safely at adequate level of service.
C4	Poor	Advanced deterioration – plant and components function but require a high level of maintenance to remain operational.
C5	Very Poor	Extreme deterioration approaching end of life with failure imminent.

The condition of the key assets at WT is discussed in the Asset Health Reports for the key asset classes such as power transformers, instrument transformers and switchgear with information on asset condition rankings, recommended risk mitigation options and replacement timeframes.

A summary of the condition is provided in Table 3 and discussed in the following sections.

## Planning Report Watsonia (WT) Zone Substation

**Table 3: WT Asset Condition Summary**

Asset Type	Number of Assets				
	C1	C2	C3	C4	C5
66kV Circuit Breakers	2				
66/22kV Power Transformers	1			2	
22kV Circuit Breakers	2			3	12
22kV Voltage Transformers		3			2

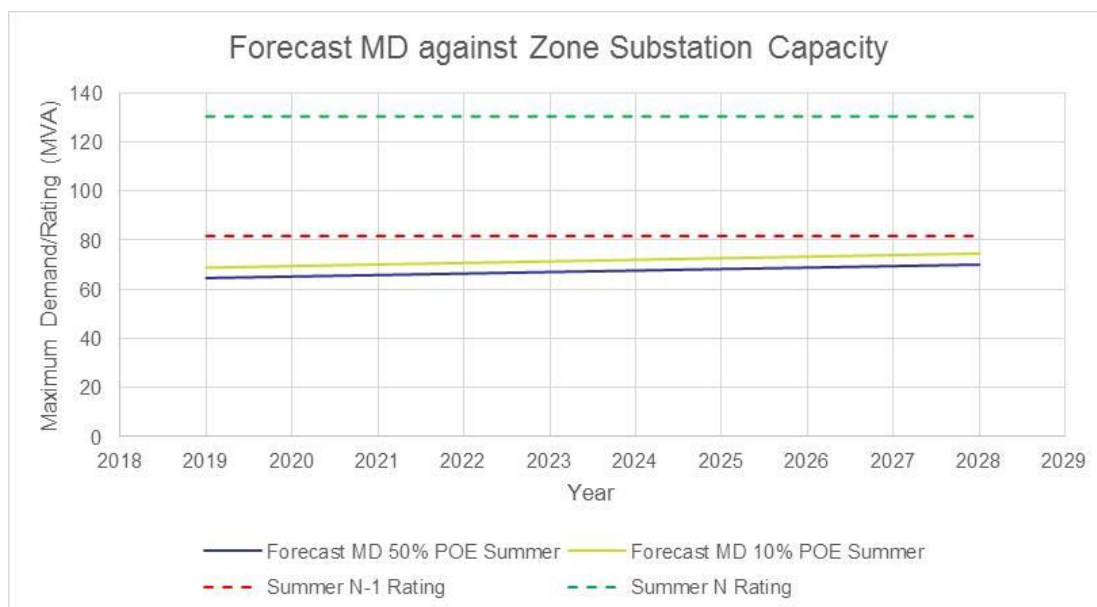
These condition scores are then used to calculate the asset failure rates using the Weibull parameters determined for each asset class.

### 3.5 Zone Substation Supply Capacity

WT is a summer peaking station and the peak electrical demand reached 61.2MVA in the summer of 2017/18. The recorded peak demand in winter 2018 was 43MVA.

The demand at WT is forecast to increase slowly at a growth rate of less than 1% per annum.

Figure 3 shows the forecast maximum demand and supply capacities (cyclic ratings) for WT.



**Figure 3: WT Forecast Maximum Demand against Zone Substation Capacity**

### 3.6 Load Duration Curves

The zone substation load duration curves that feed into the risk-cost assessment model are derived from historical actual demands between:

- 1 October 2016 and 31 March 2017 for the summer 50% probability of exceedance (POE) curves;
- 1 April 2017 and 30 September 2017 for the winter 50% POE curves;
- 1 October 2013 and 31 March 2014 for the summer 10% POE curves; and
- 1 April 2017 and 30 September 2017 for the winter 10% POE curves.

The historical hourly demands are separated by season and unitised based on the recorded maximum demand within that season (summer and winter) and time period, which allows the load duration curve to be scaled according to the seasonal forecast maximum demand for each year of the assessment period.

## Planning Report Watsonia (WT) Zone Substation

The 50% POE unitised load duration for WT zone substation is presented in Figure 4, and the 10% POE unitised load duration for WT zone substation is presented in Figure 5.

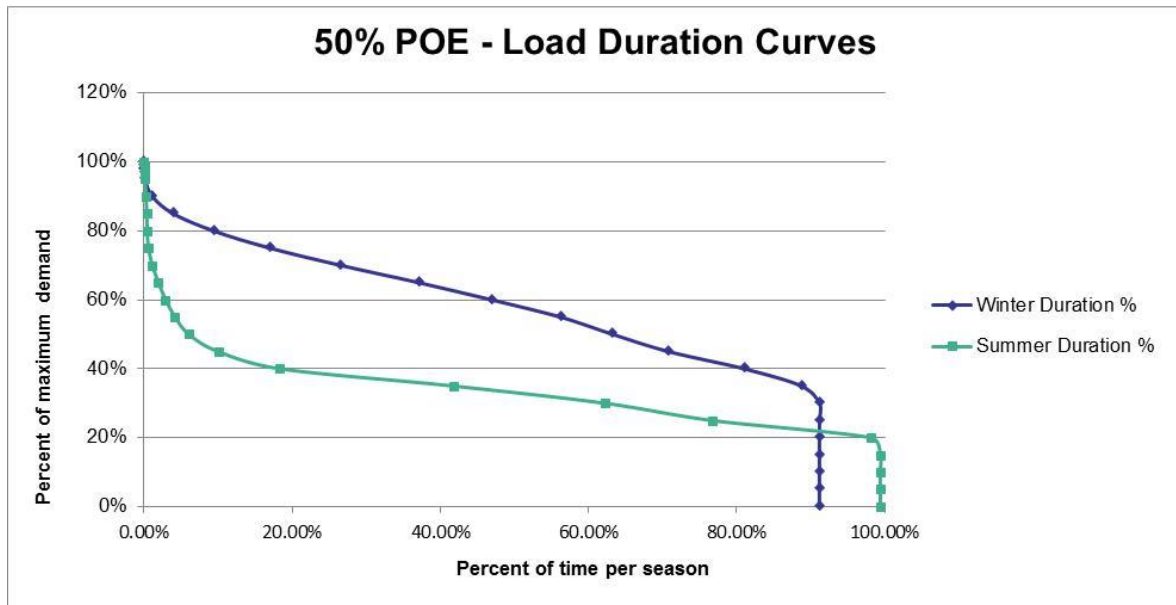


Figure 4: WT 50% Load Duration Curves

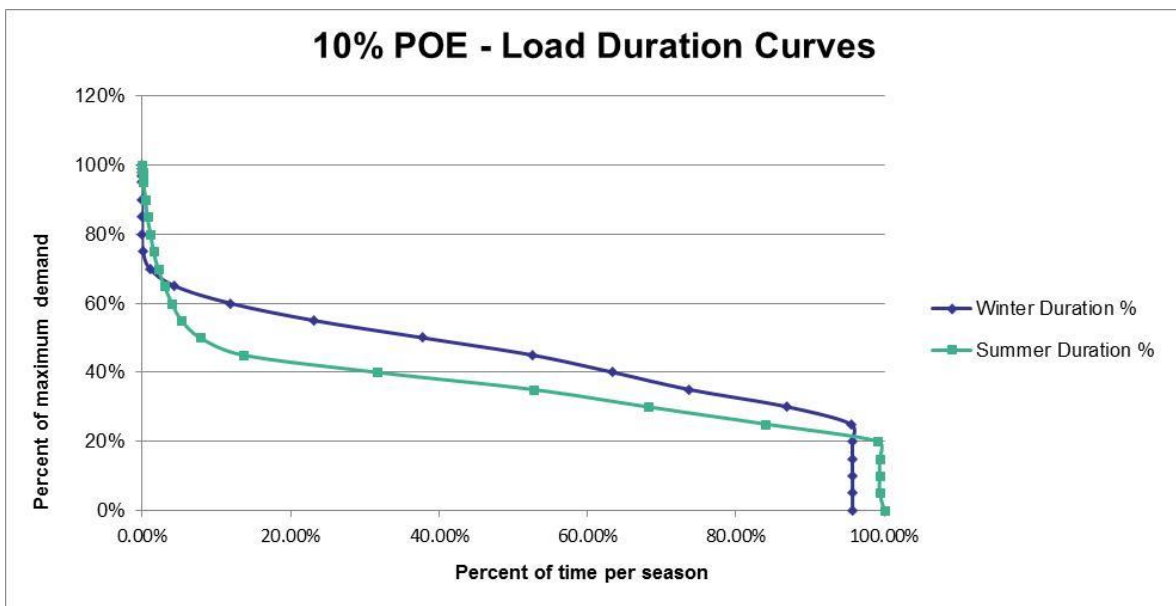


Figure 5: WT 10% POE Load Duration Curves

### 3.7 Feeder Circuit Supply Capacity

There is currently no requirement for additional feeders at WT due to the low load growth in the area.

### 3.8 Load Transfer Capability

The Distribution Annual Planning Report (DAPR) provides the load transfer capability (in MW) of the feeder interconnections between WT and its neighbouring zone substations.

This is then forecast forward in line with the forecast demand growth to give the forecast load transfer capability in Table 4.

---

**Planning Report Watsonia (WT) Zone Substation**

---

**Table 4: WT Load Transfer Capability**

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Load Transfer Capability (MW)	16.5	16.4	16.2	16.1	15.9	15.8	15.6	15.5	15.3	15.2

## Planning Report Watsonia (WT) Zone Substation

### 4 Other Issues

#### 4.1 Regulatory Obligations

This planning report acknowledges AusNet Services obligations as a Distribution Network Service Provider under the National Electricity Rules with particular emphasis on:

Clause 6.5.7 of the National Electricity Rules requires AusNet Services to only propose capital expenditure required in order to achieve each of the following:

- (1) *meet or manage the expected demand for standard control services over that period;*
- (2) *comply with all applicable regulatory obligations or requirements associated with the provision of standard control services;*
- (3) *to the extent that there is no applicable regulatory obligation or requirement in relation to:*
  - (i) *quality, reliability or security of supply of standard control services; or*
  - (ii) *the reliability or security of the distribution system through the supply of standard control services**to the relevant extent:*
  - (iii) *maintain the quality, reliability and security of supply of standard control services, and*
  - (iv) *maintain the reliability and security of the distribution system through the supply of standard control services; and*
- (4) *maintain the safety of the distribution system through the supply of standard control services.*

Section 98(a) of the Electricity Safety Act requires AusNet Services to:

*design, construct, operate, maintain and decommission its supply network to minimise as far as practicable –*

- (a) *the hazards and risks to the safety of any person arising from the supply network; and*
- (b) *the hazards and risks of damage to the property of any person arising from the supply network; and*
- (c) *the bushfire danger arising from the supply network.*

The Electricity Safety act defines 'practicable' to mean having regard to –

- (a) *severity of the hazard or risk in question; and*
- (b) *state of knowledge about the hazard or risk and any ways of removing or mitigating the hazard or risk; and*
- (c) *availability and suitability of ways to remove or mitigate the hazard or risk; and*
- (d) *cost of removing or mitigating the hazard or risk.*

Clause 3.1 of the Electricity Distribution Code requires AusNet Services to:

- (b) *develop and implement plans for the acquisition, creation, maintenance, operation, refurbishment, repair and disposal of its distribution system assets and plans for the establishment and augmentation of transmission connections:*
  - (i) *to comply with the laws and other performance obligations which apply to the provision of distribution services including those contained in this Code;*

## Planning Report Watsonia (WT) Zone Substation

- (ii) *to minimise the risks associated with the failure or reduced performance of assets;  
and*
- (iii) *in a way which minimises costs to customers taking into account distribution losses.*

### 4.2 Station Configuration Supply Risk

Failure of some 66kV and 22kV equipment will result in supply outages to customers as backup circuit breakers operate to isolate the failed equipment.

This would be for an estimated duration of two hours, which is the typical time it takes operators to travel to site and manually re-configure circuits to isolate the failed equipment and sequentially restore supply to as many customers as possible.

Table 5 lists the estimated bus outage consequence factors for a failure of each major type of equipment based on the substation layout.

**Table 5: WT Bus Outage Consequence Factors**

<b>Failed Equipment</b>	<b>Estimated Bus Outage Consequence</b>
Transformer	0%
22kV circuit breaker	53%
66kV circuit breaker	50%
22kV current transformer	50%
66kV current transformer	50%
22kV voltage transformer	25%
66kV voltage transformer	25%



---

**Planning Report Watsonia (WT) Zone Substation**

---

**5 Identified Need**

Watsonia Zone Substation (WT) commenced operation as a 66/22kV transformation station in the late 1950s with two power transformers. The third transformer was installed in 2010 and the station now includes two 66kV bus-tie circuit breakers, is supplied from two incoming 66kV lines and supplies an outdoor 22kV switchyard with eleven 22kV feeders. There are fifteen 22kV bulk-oil circuit breakers at the station which were installed when the station was established in the 1950s and 1960s.

The physical and electrical condition of these assets has deteriorated and they are now presenting an increasing failure risk. The station configuration includes three 66kV buses and two 22kV buses.

The emerging service constraints at WT are:

- Security of supply risks presented by the increased likelihood of failure due to the deteriorating condition of the assets;
- Health and safety risks presented by a possible explosive failure of the bushings on a number of the assets;
- Plant collateral damage risks presented by a possible explosive failure of a number of the assets;
- Environmental risks associated with insulating oil spill or fire; and
- Reactive asset replacement risks presented by the increasing likelihood of asset failure due to the deteriorating condition of the assets.

---

**Planning Report Watsonia (WT) Zone Substation**

---

**6 Risk and Options Analysis****6.1 Risk-Cost Model Overview**

AusNet Services' risk-cost model quantifies the benefits of potential investment options by comparing the service level risk of the Do Nothing (Counterfactual) option with the reduced service level risk assuming the credible option is place.

The investment cost to implement the credible option is then subtracted from the monetised benefit to compare credible options and identify the option that maximises the net economic benefit (the proposed preferred option).

The areas of service level risk costs, and risk cost reduction benefits, that AusNet Services considers include:

- Supply risk;
- Safety risk;
- Collateral damage risk;
- Reactive replacement risk;
- Environment risk;
- Operations and maintenance costs; and
- Losses.

Further details on the model can be found in AusNet Services' Risk-Cost Assessment Model Methodology paper.

**6.2 Risk Mitigating Options Considered**

The following options have been identified to address the risk at WT:

1. Do Nothing
2. Retire one transformer
3. Retire one transformer and sure up supply capacity via network support
4. Use network support to defer retirement and replacement
5. Replace outdoor 22kV switchgear with three new indoor switchboards and associated secondary equipment
6. Replace one transformer and 22kV switchgear
7. Replace two transformers and 22kV switchgear

An economic cost-benefit assessment is used to assess and rank the economic efficiency of each option.

The following sections provide a brief summary of each of these options.

**6.2.1 Option 1: Do Nothing**

The Do Nothing Different (counterfactual) option assumes that AusNet Services would not undertake any investment, outside of the normal operational and maintenance processes.

Under this option, increasing supply risk would be managed by increased levels of involuntary load reduction.

Increased non-supply risks, such as those associated with safety, collateral damage, reactive replacement and environmental impacts, would be accepted as unmanaged rising risk costs.

The Do Nothing Different (counterfactual) option establishes the base level of risk, and provides a basis for comparing potential options.

## Planning Report Watsonia (WT) Zone Substation

Since this option assumes no investment outside of the normal operational and maintenance processes, this is a zero investment cost option.

### 6.2.2 Option 2: Retire one transformer

This options tests whether the current installed capacity of the substation is still required to meet customer demand and whether equipment could be retired rather than replaced.

The capital cost for this option is [C.I.C], for associated decommissioning works.

### 6.2.3 Option 3: Retire one transformer and sure up supply capacity via network support

This option tests whether the current installed capacity of the substation is still required to meet customer demand and whether equipment could be retired and network support used rather than replacing poor condition assets.

The capital cost for this option is [C.I.C], for associated decommissioning works and setup of a 20MW network support agreement.

In addition to the capital cost, there is ongoing operational costs associated with this option that represent the network support availability and activation costs, and which vary year-by-year based on the network support expected under this option, as outlined in Table 6.

**Table 6: Network support services annualised costs (\$ million)**

2021	2022	2023	2024	2025
C.I.C				

### 6.2.4 Option 4: Use network support to defer retirement and replacement

This options tests whether network support can be used to defer the replacement of poor condition assets. This option addresses the supply risks associated with poor condition assets, but does not address the safety, environmental or collateral damage risks as the assets remain in service.

The capital cost of this option is [C.I.C], for setup of a 20MW network support agreement.

In addition to the capital cost, there is ongoing operational costs associated with this option that represent the network support availability and activation costs, and which vary year-by-year based on the network support expected under this option, as outlined in Table 7.

**Table 7: Network support services annualised costs (\$ million)**

2021	2022	2023	2024	2025
C.I.C				

### 6.2.5 Option 5: Replace outdoor 22kV switchgear with three new indoor switchboards

This option involves replacing the 22kV outdoor bulk-oil circuit breakers with three new indoor 22kV modular switchboards.

This option does not address the risks associated with the No.1 and No.2 66/22kV transformers or the control building condition.

This option has a capital cost of [ C.I.C ]

## Planning Report Watsonia (WT) Zone Substation

### 6.2.6 Option 6: Replace one transformer and 22kV switchgear

This option replaces the existing deteriorated outdoor 22kV No.1 and No.2 bus and 22kV circuit breakers with three new indoor switchboards and associated secondary equipment in Stage 1.

The No.1 and No.2 35/38MVA 66/22kV transformers with ageing secondary equipment are replaced with two new 20/33MVA units and secondary equipment in Stage 2, which is scheduled for completion around 2 years after Stage 1.

This option does not address the risk associated with the control building.

This option has a capital cost of [ C.I.C ].

### 6.2.7 Option 7: Replace two transformers and 22kV switchgear

Integrated replacement of deteriorated assets including the control building. This option is similar to Option 5 with the control building.

This option has a capital cost of [ C.I.C ]

## 6.3 Risk-Cost Model Results

### 6.3.1 Existing Service Level Risk

Figure 6 shows the existing service level risk. The risk costs are dominated by supply risk but also have a significant amount of non-supply risks (safety, environment, collateral damage and reactive replacement). The escalation in the risk costs over time is driven by deterioration in the condition of the assets.

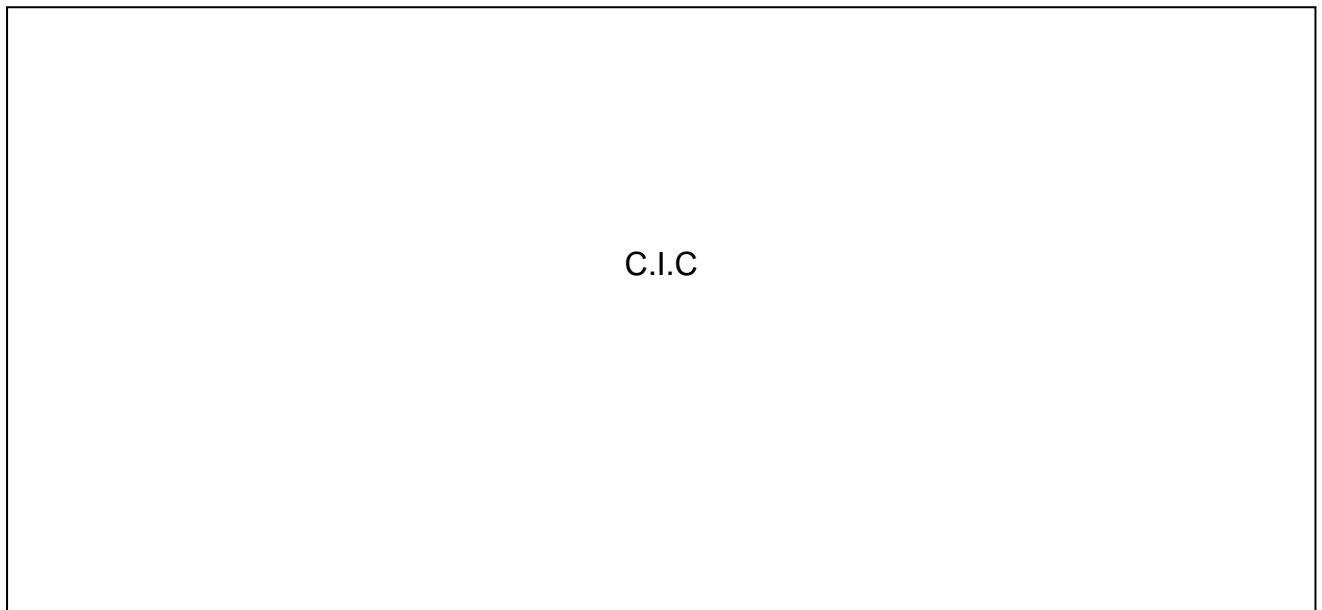


Figure 6: Do Nothing Different – Service Level Risk Cost

### 6.3.2 Economic Cost Benefit Analysis

The economic analysis allows comparison of the economic cost and benefits of each option to rank the options and to determine the economic timing of the preferred option.

It quantifies the capital, operational and maintenance costs, along with service level risk reduction benefits for each option.

Table 8 lists the annualised net economic benefit of each option for each year, with the option that maximises this benefit highlighted.

## Planning Report Watsonia (WT) Zone Substation

**Table 8: Annualised net economic benefit (\$M)**

	2020	2021	2022	2023	2024	2025	2026	2027	2028
Option 1	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Option 2	C.I.C								
Option 3									
Option 4									
Option 5									
Option 6									
Option 7									
Option 8	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

This indicates that Option 5 is the most economic option for the entire analysis period.

### 6.3.3 Sensitivity Analysis

Table 9 presents the net present value of net economic benefits under a variety of sensitivities. The net economic benefit assessment takes account of each option's total capital, operating and maintenance costs, compared to the reduction in service level risk cost that option is expected to deliver.

The robustness of the economic assessment is tested for the following sensitivities:

- Asset failure rates, varied at  $\pm 50\%$  of the base failure rate;
- Maximum demand forecasts, varied to  $\pm 5\%$  of the base forecast;
- Value of customer reliability (VCR), varied to  $\pm 25\%$  of the base VCR;
- Proposed option costs, varied to  $\pm 15\%$  of the base option cost;
- Value of statistical life (VoSL) of [ C.I.C ], varied from a [ C.I.C ] low case, to a [ C.I.C ] high case; and
- Discount rate of 6.44%, varied to  $\pm 2\%$  per annum of the base discount rate.

The preferred option under each sensitivity is highlighted, and the option that maximises net benefits under the majority of sensitivities is considered the proposed preferred option.

**Table 9: NPV of Net Economic Benefit Analysis**

Scenario	Option 1	Option 2	Option 3	Option 4	Option 5	Option 6	Option 7	Option 8
Base Case	\$0.00	C.I.C						\$0.00
High Asset Failure Rate	\$0.00							\$0.00
Low Asset Failure Rate	\$0.00							\$0.00
High Demand	\$0.00							\$0.00
Low Demand	\$0.00							\$0.00
High VCR	\$0.00							\$0.00
Low VCR	\$0.00							\$0.00
High Option Cost	\$0.00							\$0.00
Low Option Cost	\$0.00							\$0.00
High VoSL	\$0.00							\$0.00
Low VoSL	\$0.00							\$0.00
High Discount Rate	\$0.00							\$0.00

## Planning Report Watsonia (WT) Zone Substation

Scenario	Option 1	Option 2	Option 3	Option 4	Option 5	Option 6	Option 7	Option 8
Low Discount Rate	\$0.00	C.I.C						\$0.00

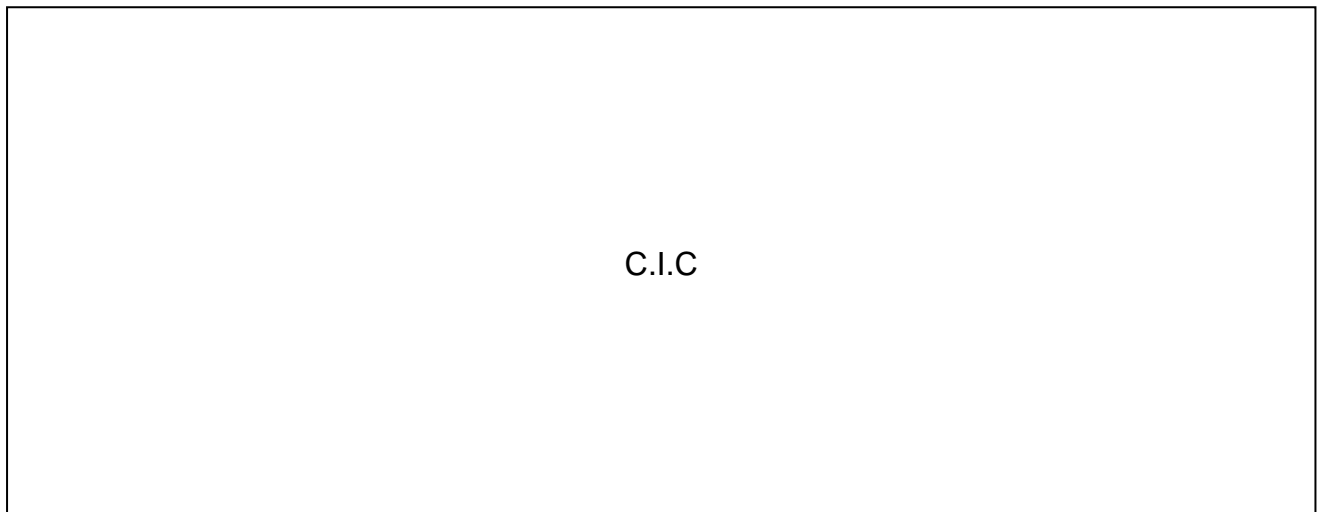
The sensitivity analysis indicates the preferred option is Option 5, as it has the highest net benefit under the majority of sensitivities tested.

### 6.3.4 Optimal Economic Timing of Proposed Preferred Option

The annual benefit of implementing a credible alternative option to the Do Nothing Different (counterfactual) option is the difference between the total service level risk cost with a credible option in place, and the total service level risk cost of the Do Nothing Different option.

The optimal economic timing of the proposed option is the point in time when the annual benefit of implementing the proposed option outweighs the annualised cost to implement that option.

The optimal economic timing to implement the proposed preferred option is by 2020, as presented in Figure 7.



**Figure 7: Economic timing of the proposed preferred option**

---

## Planning Report Watsonia (WT) Zone Substation

---

### 7 Conclusion and Next Steps

The assessment outlined in this report shows that the service level risk to customers supplied from Watsonia (WT) Zone Substation is forecast to grow to unacceptable levels within the 2022-26 EDPR period.

The forecast increase in service level risk is driven by increasing supply and non-supply (safety, environmental, collateral damage and reactive replacement) risk driven by deterioration in the condition of the assets resulting in an increasing likelihood of asset failure.

#### 7.1 Proposed Preferred Option

The options analysis identifies that the preferred option, being the one that maximises the net economic benefit to all those that produce, consume and transport electricity in the NEM, is to:

- Replace the 22kV circuit breakers by 2020, at an estimated capital cost of [ C.I.C ] (Real \$2018).

Applying a discount rate of 6.44% per annum, this proposed preferred option has a net economic benefit of [ C.I.C ], relative to the Do Nothing Different option, over the forty-five-year assessment period.

While the optimal timing of the proposed preferred option is by 2020, to manage the deliverability, allow sufficient time to complete the required regulatory investment test for distribution (RIT-D), and to spread the capital expenditure throughout the 2022-26 EDPR, AusNet Services plans to implement the proposed preferred option by 2023.

#### 7.2 Next Steps

This planning report outlines the service level risk mitigation investment that AusNet Services has assessed as prudent, efficient and providing the optimal balance of supply reliability and cost.

While this report outlines AusNet Services' plans for maintaining service levels, and serves to support AusNet Services' revenue request for the 2022-26 EDPR period, the proposed investment is subject to the regulatory investment test for distribution (RIT-D).

As such, the proposed investment will be confirmed via the formal RIT-D process, which includes publication of up to three reports at the various RIT-D stages, and includes a formal consultation process where interested parties can make submissions that help identify the optimal solution.

---

**Planning Report Watsonia (WT) Zone Substation**

---

**Appendix A Preferred Option Details****A.1 Scope of Work**

The high level scope of work for the proposed preferred option includes:

- Install three new indoor 22kV modular switchboards with integral feeder protection, bus protection and capacitor protection and control configured as three 22kV buses with one transformer incomer, four 22kV feeders, one capacitor bank and two bus ties;
- Reconnect all eleven 22kV feeders and a new capacitor bank to new indoor switchboards;
- Demolish and remove the existing outdoor 22kV switchgear;
- Replace the existing No.2 22kV capacitor bank with new 12MVAR capacitor bank;
- Replace/establish associated protection works; and
- Upgrade station fencing, switchyard lighting, surfaces, drainage, trenches to current standards.



## Planning Report Watsonia (WT) Zone Substation

### A.2 Project Cost Estimate

Design	C.I.C
SPA internal costs	
Sub-contractor indirects	
66kv equipment	
22kv equipment	
Transformers	
Line works	
Infrastructure - civil works	
Infrastructure - building works	
Infrastructure - services	
Protection & control systems	
Land / easement purchase	
Metering cost	
Outages	
Spares	
Nominal risk allowance	
<b>Project direct costs</b>	
Management contingency	
<b>Project direct costs plus contingency</b>	
Overheads	
Finance charges	
Operating expenditure	
WDV (written down value) of assets to be retired	
<b>Total</b>	