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Monday, 21 December 2020

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

Dear Mr Roberts

RE: TransGrid and AEMO VNI Minor upgrade TransGrid Contingent Project Application

ERM Power Retail Pty Ltd (ERM Power) welcomes the opportunity to respond to the Australian Energy Regulator's request for submissions on TransGrid's contingency project application for the TransGrid and Australian Energy Market Operator's VNI minor upgrade transmission augmentation.

About ERM Power

ERM Power (ERM) is a subsidiary of Shell Energy Australia Pty Ltd (Shell Energy). ERM is one of Australia's leading commercial and industrial electricity retailers, providing large businesses with end to end energy management, from electricity retailing to integrated solutions that improve energy productivity. Market-leading customer satisfaction has fuelled ERM Power's growth, and today the Company is the second largest electricity provider to commercial businesses and industrials in Australia by load¹. ERM also operates 662 megawatts of low emission, gas-fired peaking power stations in Western Australia and Queensland, supporting the industry's transition to renewables.

<http://www.ermpower.com.au>

<https://www.shell.com.au/business-customers/shell-energy-australia.html>

General comments

ERM Power has participated actively in the VNI minor network augmentation regulated investment test for transmission from the project specification consultancy report (PSCR) stage. Whilst referred to as an interconnector upgrade, it should be noted that the proposed network works are augmentations to intra-regional networks in both Victoria and New South Wales (NSW) which connect to the existing interconnector between Victoria and NSW. The network augmentations as proposed in the project assessment conclusions report (PACR) of themselves, do not form part of the Victoria to NSW interconnector infrastructure between the Murray and Upper and Lower Tumut power station switchyards. The works as planned do not increase the transfer limit between the Murray and the Upper and Lower Tumut switchyards, the Dederang terminal station to the Murray switchyard in either direction, or increase transfer limits from NSW to Victoria at times of tight supply vs demand balance in Victoria.

¹ Based on ERM Power analysis of latest published information.



ERM Power considers the NSW elements of the project are essential elements as it will reduce known and forecast network congestion between southern and central NSW and should be progressed expeditiously. However, ERM Power questions the magnitude of the benefits generated by the two Victorian elements and also questions whether an alternative scenario would provide similar or greater benefits. We note the Victorian elements are not specifically required to improve flows from Victoria to NSW, the works as set out as the preferred option only act to improve limits from Melbourne towards Dederang terminal station in northeast Victoria. With new committed generation in northeast Victoria connecting to the Shepperton and Glenrowan terminal stations and the strong multi-line 220 kV connections between these terminal stations and the Dederang terminal station, it is unclear to us if the Victorian elements are still required. This is further supported by changes in reported network congestion in Victoria where following retirement of Hazelwood power station, AEMO's annual constraints report have indicated relatively small hours of network congestion compared to historical outcomes in the components of the network that the proposed augmentation works on the Victorian side are forecast to reduce.

We note the NSW elements of this proposed network augmentation were excluded by AEMO from the 2020 ESOO reliability forecast modelling. This resulted in increased forecast hours of network congestion between southern and central NSW, thus preventing the efficient utilisation of existing peaking generation in southern NSW and northern Victoria. Efficient use of this generation would support demand in the major NSW load centres between Wollongong and Newcastle at times of tight NSW supply demand balance. This was a major factor in the representation by AEMO in the 2020 ESOO reliability forecast of a potential reliability gap in the NSW region in financial year 2023/24. Completion of the NSW elements of this project is expected to totally remove the forecast reliability gap in NSW in financial year 2023/24 and combined with other committed generation in NSW through to financial year 2025/26

We support approval of TransGrid request for contingent project funding for the NSW elements of the VNI minor network augmentation.

Please contact [REDACTED] if you have any questions with regards to this submission.

Yours sincerely,

[signed]

Libby Hawker
Senior Manager – Regulatory Affairs
[REDACTED]