

22 May 2020

Clare Savage
Chair
Australian Energy Regulator
Level 17, Casselden
2 Lonsdale Street
MELBOURNE VIC 3000

Dear Clare,

Re: Contingent Project Application – Eyre Peninsula Reinforcement

Please find attached a contingent project application for the Eyre Peninsula Reinforcement project, submitted in accordance with clause 6A.8.2(a) of the National Electricity Rules (Rules).

The Eyre Peninsula Reinforcement project will replace the existing transmission line supplying South Australia's West Coast to improve the reliability of electricity supply to the region through a long-term supply solution that will deliver maximum value for customers.

The project involves the installation of a new double-circuit line from Cultana to Yadnarie that is initially energised at 132 kV, but capable of being operated at 275 kV in the future if required, and a new 132 kV double-circuit line from Yadnarie to Port Lincoln. It replaces the existing single-circuit line which is nearing the end of its operating life based on its condition.

We submit this application to allow the AER to amend the revenue determination that applies to ElectraNet in the 2018-19 to 2022-23 regulatory control period by the amount of incremental capital and operating expenditure for each remaining regulatory year, the total capital expenditure and the incremental revenue required to deliver this contingent project.

The replacement of the existing line avoids the need for back up generation at Port Lincoln, saving ongoing network support costs of \$9 million per year, together with the need to reconnector major sections of the existing line for which ElectraNet is already funded in the current regulatory period, at a cost of \$74 million.

This results in a minimal net revenue requirement for the project of \$4.2m for the balance of the current regulatory period, and a minimal price impact for the average residential customer of approximately \$1 per year.

Submission of this application follows the pre-lodgement process undertaken in accordance with the AER's Process Guideline for Contingent Project Applications, which included the provision of a draft copy of this application and accompanying material, together with a pre-lodgement briefing held on 14 May 2020.

The trigger events approved by the AER for this contingent project have been satisfied as follows:

1. Successful completion of the RIT-T in relation to the project, which occurred with the publication of the Project Assessment Conclusions Report on 18 October 2018.
2. Determination by the AER that the proposed investment satisfies the RIT-T, which occurred on 11 April 2019.
3. ElectraNet Board commitment to proceed with the project, subject to the AER amending the revenue determination pursuant to the Rules, which occurred on 30 April 2020.

The following material comprises our contingent project application and addresses the information requirements set out in clause 6A.8.2(b) of the Rules:

- Contingent project application document
- Updated RIT-T cost-benefit assessment
- Scope of works summary document
- Post Tax Revenue Model (PTRM)

Further supporting material is also provided on a commercial-in-confidence basis to assist the AER in assessing our application, including detailed capital cost inputs and estimates, a project risk register and procurement information. In accordance with the AER's Confidentiality Guideline, Attachment 1 to this letter provides a completed confidentiality template explaining the commercially sensitive nature of this material. We consent to the full disclosure of the remaining material we have submitted above under the Rules.

We look forward to working with the AER through the formal assessment of this contingent project application and to the timely delivery of the project in the interests of electricity customers.

Please direct any queries in relation to this application to Simon Appleby in the first instance on 08 8404 7324.

Yours sincerely



Rainer Korte
Group Executive Asset Management

ATTACHMENT 1

Confidentiality Template

Title, page and paragraph number of document containing the confidential information	Description of the confidential information.	Topic the confidential information relates to (e.g. capex, opex, the rate of return etc.)	Identify the recognised confidentiality category that the confidential information falls within.	Provide a brief explanation of why the confidential information falls into the selected category. If information falls within 'other' please provide further details on why the information should be treated as confidential.	Specify reasons supporting how and why detriment would be caused from disclosing the confidential information.	Provide any reasons supporting why the identified detriment is not outweighed by the public benefit (especially public benefits such as the effect on the long term interests of consumers).
Capital Cost Estimate (Spreadsheet)	Details of capital expenditure cost estimates	Capital expenditure	Market sensitive inputs	The file extensively details information that would affect ElectraNet's ability to obtain competitive prices in the current and future projects	If this information is disclosed it would adversely affect ElectraNet's ability to negotiate competitive price outcomes	If published this information will compromise ElectraNet's ability to deliver the lowest possible costs, detrimental to long term customer interests
Project Risk Register (Spreadsheet)	Details of capital expenditure contractual obligations and terms	Capital expenditure	Market sensitive inputs	The file extensively details information that would affect ElectraNet's ability to obtain competitive prices in the current and future projects	If this information is disclosed it would adversely affect ElectraNet's ability to negotiate competitive price outcomes	If published this information will compromise ElectraNet's ability to deliver the lowest possible costs, detrimental to long term customer interests
Capital Cost Inputs File (Spreadsheet)	Details of capital expenditure cost estimates	Capital expenditure	Market sensitive inputs	The file extensively details information that would affect ElectraNet's ability to obtain competitive prices in the current and future projects	If this information is disclosed it would adversely affect ElectraNet's ability to negotiate competitive price outcomes	If published this information will compromise ElectraNet's ability to deliver the lowest possible costs, detrimental to long term customer interests
Procurement Summary (Document)	Details of commercial procurement strategy	Capital expenditure	Market sensitive inputs	The file extensively details information that would affect ElectraNet's ability to obtain competitive prices in the current and future projects	If this information is disclosed it would adversely affect ElectraNet's ability to negotiate competitive price outcomes	If published this information will compromise ElectraNet's ability to deliver the lowest possible costs, detrimental to long term customer interests

A public version of the above material is not available given the commercially sensitive nature of the information is contains

Proportion of Confidential Material

Submission Title	Number of pages of submission that include information subject to a claim of confidentiality	Number of pages of submission that do not include information subject to a claim of confidentiality	Total number of pages of submission	Percentage of pages of submission that include information subject to a claim of confidentiality	Percentage of pages of submission that do not include information subject to a claim of confidentiality
Contingent Project Application	26	95	121	21%	79%

Note: each sheet from the relevant Excel files is counted as a page