

30 October 2020



Mr Sebastian Roberts  
General Manager  
Australian Energy Regulator

Submitted via email: [contingentprojects@aer.gov.au](mailto:contingentprojects@aer.gov.au)

Dear Mr Roberts,

**AER: PROJECT ENERGYCONNECT CONTINGENT PROJECT APPLICATIONS**

Origin Energy Limited (Origin) welcomes the opportunity to provide comments to the AER on TransGrid's and ElectraNet's contingent project applications for Project EnergyConnect.

As noted in the contingent project applications, Project EnergyConnect capital costs have risen from \$1.53 billion to \$2.43 billion (\$ 2018-19) since the regulatory investment test for transmission (RIT-T) was completed and approved by the AER.

Net benefits are now marginal at \$148 million in the central scenario, with the break even cost of the project being \$2.7 billion. This implies that an 11% increase in costs would make the interconnector uneconomic.

Given that budget overruns in large infrastructure projects are not uncommon and given that consumers will ultimately bear the risks of any increases in costs, it is important that the AER is confident that the latest cost estimates are robust and reasonable.

This is particularly important given the updated analysis was not carried out under the full robustness of the RIT-T process. For example, there was no formal consultation or consideration of non-network and a range of other credible options. Given the updated analysis finds net benefits by a slim margin, these alternatives may have offered better value for consumers.

We would therefore welcome transparency in the final contingent project application determination as to how the AER considers that the costs of the projects are "prudent and efficient" given the marginal nature of the benefits in the updated cost-benefit analysis.

Should you have any questions or wish to discuss this submission further, please contact [REDACTED]

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Steve Reid".

Steve Reid  
Group Manager, Regulatory Policy