

4 February 2014



Mr Peter McIntyre
Executive Director and Managing Director
TransGrid
PO Box A1000
Sydney South NSW 1235

FROM THE OFFICE OF THE
CHIEF EXECUTIVE OFFICER

Level 22
530 Collins Street
Melbourne VIC 3000

Postal Address:
GPO Box 2008
Melbourne VIC 3001

T 1300 858724
F 03 9609 8010

Peter,
Dear Mr McIntyre

AEMO Endorsement of TransGrid Network Capability Incentive Parameter Action Plan (NCIPAP) for 1 July 2014 – 30 June 2019

I am writing to you regarding AEMO's endorsement of the proposed projects under TransGrid's NCIPAP for 1 July 2014 – 30 June 2019.

Under clause 5.2 of the AER's Service Target Performance Incentive Scheme (STPIS) Guidelines, TNSPs are obligated to consult with AEMO when developing the NCIPAP. TransGrid and AEMO have worked collaboratively to identify the market benefits of the projects presented by TransGrid under the scheme. AEMO would like to thank TransGrid for its support during this process.

Based on our assessment, AEMO endorses 28 of 28 projects proposed by TransGrid under the NCIPAP scheme. Total project costs come to \$36.3 million. This equates to 1.0% of TransGrid's expected revenue proposal for the next regulatory period, assuming a four-year regulatory proposal.

AEMO's project assessment methodology comprised of modelling and analysis of network limitations, considering historical congestion, future network flows and reliability and security implications.

Under the scheme, AEMO is required to prioritise projects bases on value for money provided for electricity customers. All projects submitted by TransGrid under NCIPAP are assessed as having positive net market benefits and delivering value to customers. The list of endorsed projects is included as Attachment 1.

If you have any questions or would like to seek any clarification please contact Louis Tirpcou, Group Manager Planning on (03) 9609 8415.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'M. Zema'.

Matt Zema
Managing Director and Chief Executive Officer

cc: Michelle Groves, Chief Executive Officer, AER

Attachment 1: Proposed list of prioritised NCIPAP projects.

Project Ranking	TransGrid Project Number	TransGrid Project Category	Project Name	Capital cost (\$k)	Operating cost (\$k)	Total cost (\$k)	Benefit (annual, \$k)	Payback Period (years)	Comment
1	3.12.1	Current Transformer Secondary Ratios	Queensland – New South Wales Interconnector	55	-	55	98	0.56	
2	3.01.1	Terminal Equipment Upgrades	67 & 68 Murray – Dederang Switchbays	360	-	360	477	0.75	
3	3.03.1	Protection & Metering Upgrades	993 Line Protection & Metering Upgrade	90	-	90	85	1.06	
4	3.05.5	Dynamic Line Ratings	83 Liddell – Muswellbrook, 84 Liddell – Tamworth 330, 85 & 86 Tamworth 330 – Armidale & 88 Muswellbrook – Tamworth 330 Lines	1,100	-	1,100	800	1.38	
5	3.03.2	Protection & Metering Upgrades	99P Line Protection & Metering Upgrade	50	-	50	34	1.49	
6	3.05.2	Dynamic Line Ratings	65 Murray – Upper Tumut & 66 Murray – Lower Tumut Lines	400	-	400	245	1.63	
7	3.04.1	Control Schemes	Extension of Directlink Tripping Scheme	600	-	600	357	1.68	
8	3.02.1	Protection Changes	976 Line Configuration & Protection Changes	110	-	110	43	2.58	
9	3.01.3	Terminal Equipment Upgrades	94E Mt Piper 132 – Wallerawang 132 Switchbays	50	-	50	19	2.59	
10	3.05.6	Dynamic Line Ratings	Northern 132kV System	1,000	-	1,000	360	2.78	
11	3.05.1	Dynamic Line Ratings	Snowy – Yass & Canberra 330kV Lines	1,400	-	1,400	330	4.24	
12	3.04.2	Control Schemes	Northern Reactive Plant Control Scheme	524	-	524	120	4.37	
13	3.05.3	Dynamic Line Ratings	4 & 5 Yass – Marulan, 9 Yass – Canberra, 61 Yass – Bannaby and 39 Bannaby – Sydney West 330kV Lines	2,600	-	2,600	176	14.77	

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14	3.05.7	Dynamic Line Ratings	969 Tamworth 330 – Gunnedah Line	300	-	300	4,500	0.07	Project is contingent on specific, likely, generation and demand developments
15	3.01.2	Terminal Equipment Upgrades	81 & 82 Liddell – Newcastle & Tomago Lines	600	-	600	1,400	0.43	Project is contingent on specific, likely, generation and demand developments
16	3.11.1	Capacitor Banks	Beryl Capacitor Bank	1,900	-	1,900	3,500	0.54	Project is contingent on specific, likely, generation and demand developments
17	3.06.3	Travelling Wave Fault Location	Snowy Lines	2,211	-	2,211	1,864	1.19	Project benefits are primarily non-network in nature
18	3.06.6	Travelling Wave Fault Location	North Western 132kV System	877	-	877	476	1.84	Project benefits are primarily non-network in nature
19	3.06.4	Travelling Wave Fault Location	Northern 330kV Lines	1,895	-	1,895	826	2.29	Project benefits are primarily non-network in nature
20	3.06.5	Travelling Wave Fault Location	Far North Coast 132kV System	890	-	890	350	2.54	Project benefits are primarily non-network in nature
21	3.10.1	Quality of Supply	Point-on-Wave Switching for 132kV Capacitor Banks	631	-	631	1,900	2.70	"Project benefits are primarily non-network in nature
22	3.10.2	Quality of Supply	Point-on-Wave Switching for 66kV & Below Capacitor Banks	4,500	-	4,500	1,900	2.70	"Project benefits are primarily non-network in nature Project benefits are combined for projects 3.10.1 and 3.10.2

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23	3.11.2	Research Projects	Behaviour of Residential Solar During System Events	1,850	-	1,850	366	5.05	Project benefits are primarily non-network in nature Project benefits are combined for projects 3.10.1 and 3.10.2
24	3.06.2	Travelling Wave Fault Location	Southern 330kV Network	1,347	-	1,347	243	5.54	Project benefits are primarily non-network in nature
25	3.06.1	Travelling Wave Fault Location	Western 220kV Network	877	-	877	126	6.96	Project benefits are primarily non-network in nature
26	3.08.1	Remote Information	Remote Interrogation of Protection Relays	1,000	-	1,000	80	12.50	Project benefits are primarily non-network in nature
27	3.07.1	Communications	Communications to Albury, ANM & Hume Substations	4,200	-	4,200	235	17.87	Project benefits are primarily non-network in nature
28	3.11.1	Research Projects	Energy Storage	4,900	-	4,900	N/A		"Project benefits are primarily non-network in nature.