



8 November 2012

Mr Gordon Bubidge
Manager Network Support and Consultations
TransGrid
PO Box A1000
SYDNEY SOUTH NSW 2000
By Email: regulatory.consultation@transgrid.com.au

Dear Mr Bubidge

The NGF thanks Powerlink and Transgrid for the opportunity to review and comment on the RIT-T Project Specification Consultation Report (PSCR) for the proposed upgrade of the Queensland-NSW Interconnector

The NGF is the national industry association representing private and government owned electricity generators. NGF members operate all generation technologies, including coal-fired plant, gas-fired plant, hydroelectric plant and wind farms. Members have businesses in all States.

The NGF supports interconnector upgrades where it is economically efficient to do so. As the proposal to upgrade the Queensland to NSW interconnector is one of the initial proposals to be considered under the revised RIT-T, the NGF believes it is critical that the analysis by Powerlink and Transgrid is rigorous and robust and in later stages sufficiently transparent to facilitate detailed analysis by third parties including regulators.

In particular, the NGF considers the minimum information supplied in the PADR must include:

- Complete list of all proposed new generation builds including sub-regional specific location and date of commissioning;
- Proposed bid structure for all generators if competition benefits are claimed;
- The quantum of all competition benefits as a separate item;
- All data provided by AEMO regarding voluntary load shedding and the quantum of benefits claimed as a separate line item;
- The impact on intra-regional congestion for each upgrade option;
- The commissioning date and cost of any additional transmission network upgrades that will be required for the assets described in the RIT-T to provide the nominal upgrade.

The NGF notes that much of the initial analysis performed by Powerlink and Transgrid to date has been based on the AEMO 2010 NTNDP. The NGF strongly contends that the energy and demand data and the scenarios contained in the 2010 NTNDP are outdated and no longer of relevance to the NEM. In late June 2012, AEMO issued for the first time peak demand and energy forecasts for the all NEM regions – 2012 National Electricity Forecasting Report.

The NGF believes these new AEMO forecasts still err on the conservative (high) end of where actual outcomes may eventuate. The NGF believes that in the 2013 NEFR, AEMO will issue revised forecasts which will contain a further step change revision reducing energy and peak demand forecasts yet again. The NGF supports the use of the 2013 AEMO demand and energy forecasts as opposed to internal Powerlink and Transgrid in the PADR modelling.

Section 3 of the PSCR contains details of several options for upgrading the QNI. The PSCR is unclear if these projects are cumulative or if a higher cost option may only deliver a partial increase in capacity above one of the lower cost upgrade options.

As an example, Option 3, installation of a system protection scheme at an estimated cost of \$5M nominally increases the northward flow limit by 40 to 90 MW. Option 6 installation of a braking resistor at an estimated cost of \$10M nominally increases the northward flow limit by 100 MW. It is unclear from the PSCR if Option 6 increases the nominal northward capacity by an additional 100 MW when compared to Option 3, or in fact only increases the nominal northward capacity by an amount of 10 to 60 MW. This level of opaqueness exists in allowing an accurate comparison of all options included in Section 3. The NGF requests that in the PADR all options are reordered from lowest to highest cost and only the amount of nominal increase in interconnector capacity over the lower cost option is shown as a capacity increase benefit.

The NGF is very concerned that the costs of the options detailed in Section 3 may be understated. Historically, TNSP's have tended to under cost proposed transmission upgrades during planning stages in order to achieve regulatory approval with large costs increases observed during the construction phase. The NGF requests that in the PADR the proponents more accurately and transparently cost the proposed options such that if one of the options proceeds to construction the proponents provide a binding and enforceable guarantee that actual costs will not exceed the nominal cost by more than 10%. This will hopefully ensure that a more accurate costing of the proposed upgrades is provided than has historically been the case for project approval under the transmission network expansion approval processes.

The NGF is also concerned that the costs for options as listed may not contain all necessary upgrades to transmission lines that connect the QNI to the Queensland and NSW transmission system. As an example, Option 4a involves the construction of a new double circuit transmission lines between Bayswater in NSW and Western Downs in Qld. The proponents claim that this will increase the southward transfer capacity by 1,300 MW and the northward transfer capacity by 1,070 MW. The NGF contends that construction of only these lines would lead to increased intra-regional congestion between Bayswater and the NSW RRN and Western Downs and the Qld RRN. This intra-regional congestion will in fact significantly reduce the nominal benefits of the upgrade options. The NGF believes that a true representation of the upgrade is the construction of a double circuit transmission line from Sydney West in NSW to South Pine in Qld and it is the cost of all these transmission lines that should be used in the PADR for Option 4a.

The NGF requests that in the PADR the proponents clearly quantify the expected impact on intra-regional congestion as a result of the proposed upgrade options. Alternatively, the NGF request that the proponents include for the full costs of the complete upgrade to prevent any increase in intra-regional congestion. As shown above for Option 4a, it is only the complete upgrade between Sydney West and South Pine that will deliver the proposed high capacity increases in transfer capacity between NSW and Qld.

Finally, the NGF is concerned that based on historical outcomes the proponents may fail to deliver the nominal upgrade capacity as detailed in the RIT-T process. To date the existing QNI has failed to deliver on the super majority of dispatch intervals the nominal northward flow capacity. Customers have paid for this capacity in increased TUOS charges and market participants have been required by AEMO to bid for settlement residues based on this nominal capacity. Unfortunately, this capacity has failed to materialise in dispatch outcomes. What enforceable guarantees will the proponents provide to the NEM as part of the RIT-T process that the nominal capacity of the proposed upgrade will actually be achieved?

The NGF supports the upgrade of interconnectors where it is economically efficient to do so and looks forward to a more thorough and detailed analysis from the proponents in the PADR. NGF members are happy to meet with Transgrid and Powerlink to discuss this submission to the RIT-T process.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Tim Reardon', with a long horizontal flourish extending to the right.

Tim Reardon
Executive Director