



30 May 2014

Mr Gordon Burbidge
Manager Network Support and Consultations
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By Email: regulatory.consultation@transgrid.com.au

Dear Mr Burbidge

The NGF thanks Powerlink and Transgrid for the opportunity to review and comment on the RIT-T Project Assessment Draft Report (PADR) 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, and hydroelectric plant and wind farms. Members have businesses in all States.

The NGF supports interconnector upgrades where it is economically efficient to do so. The NGF supports the finding of the PADR that currently there are no identified credible options that would provide an economic basis for the upgrading of the Queensland-NSW Interconnector. Given the current uncertainty in future electricity demand, the proponents have taken the most responsible course of action with regard to any proposed upgrade of the Queensland-NSW Interconnector.

As indicated in the modelling results, an upgrade to the QNI would not defer significant incremental capital investment in generation in the NEM. The NEM is currently oversupplied with generation that effectively competes against the proposed QNI upgrades. This is shown in electricity spot prices and derivative prices over the last few years which have remained below the levels required to encourage new entry. This level of oversupply of generation is expected to remain in the medium term. Similarly, dispatch cost efficiency improvements were not significant due to the low fuel price differential that exists between QLD and NSW coal fired generation.

The NGF would also like to offer the following detailed comments regarding the PADR.

Publication of Submissions

The RIT-T was a joint proposal from Transgrid and Powerlink. Currently some submissions appear on the Powerlink website and some on the Transgrid website. The NGF would recommend that all submissions appear on both the Powerlink and Transgrid websites. This should become the standard for any further joint RIT-T proposals.

Identification of Competition Benefits

The work undertaken by the proponents in assessing competition benefits relies heavily on set of assumed bid structures by generators deemed as *strategic*. The NGF has been unable to find where the proponents have published this list of *strategic* generators and their bid structures used in the modelling. This detail should have been published for comment and review prior to the commencement of modelling for the PADR. The NGF requests that these details be released for comment and review prior to the proponent's preparation of the PSCR.

The NGF also urges caution in applying strategic bidding structures over longer term market modelling to justify transmission system upgrades as market structure and bidding patterns will change over time due to a number of factors, in particular, as the disposition of assets changes. For example, in NSW there is the proposed sale of Macquarie Generation, the future sale of Delta Coastal and in QLD the potential sale of Ergon Energy, CS Energy and Stanwell.

Identification of Unserved Energy Benefits

The PADR indicates benefits associated with reductions in unserved energy. The NGF is concerned that given the close to **NIL** historical unserved energy outcomes in the NEM the proponents modelling results indicate outcomes where benefits for upgrading the interconnector accrue based on reductions in unserved energy, this is completely at odds with historical outcomes. The NGF requests that significant detail into the causes of this unserved energy and its regional location is contained in the PACR.

The PADR also indicates in 6.3.5 that AEMO have provided information on voluntary load curtailment and benefits for reductions in these have been incorporated within the market modelling. The NGF requests that this information provided by AEMO be released in the PACR.

Intra-Regional Constraints

The NGF notes that the database used for modelling intra-regional constraints is the AEMO NTNDP 2012 constraint set. The NGF is aware that this constraint set is missing a number of key intra-regional constraints that would impact the modelling outcomes for this RIT-T, in general the missing constraints would suggest a higher benefit from the proposed scenarios vs a more accurate constraint set with the missing constraints included.

What verification, if any, did the proponents undertake to ensure that all historically active intra-regional constraints were represented in the modelling.

Also, what verification process was undertaken to ensure any future probable constraints were represented in the model. ie. Constraints that may result between Bayswater and the NSW Regional Reference Node or Bulli Creek and the Qld NSW Regional Reference Node as a result of the larger capacity upgrades.

The NGF requests that in the PACR appendix be released that shows in separate tabular form for each binding constraint for each future year, the forecast binding hours of the constraint for each of the modelled scenarios including the Base Case.

Non Transparent In-built Modelling Assumptions – Intra-Regional Transmission Upgrades

The NGF requests that the proponents provide a listing including year of commissioning for any assumed upgrades of intra-regional transmission lines which have been in-built into the modelling assumptions for the PADR in the PACR.

Costing of Credible Options

The NGF remain concerned that the proponents of this, and in fact other RIT-T's, continue to publish project costs based on an accuracy tolerance of +25%. This can amount to a substantial additional impost on already costly Transmission Use of System (TUOS) payments by consumers. The bench mark should be no greater than +10%. The NGF remains concerned at a process of under forecasting costs by proponents to assist projects receiving approval through the RIT-T process and then actual project costs to consumers being substantially higher. The NGF wonders how TNSP's would react if project costs above a reasonable tolerance benchmark (+10%), were disallowed by the Australian Energy Regulator following completion of a large cost project. The NGF requests the proponents increase the accuracy in this regard in any future RIT-T's.

Updating the RIT-T with new forecasts

The NGF fully supports the updating of future demand forecasts by the proponents during the RIT-T process in order to keep the analysis current and relevant. This differed from the approach taken by AEMO and Electranet for the Heywood interconnector upgrade, where the proponents continued to use outdated information despite repeated requests in submissions that RIT-T for updated forecasts are to be used.

PADR Consultation

The NGF was pleased the proponents took the opportunity to present to the NGF in Brisbane on publication of the PADR. This insight into the process and the challenges faced for the modellers was valuable. In particular the NGF members were pleased to see the proponents were very transparent on the arbitrary assumptions, such as gas prices, scenario weightings, etc and how these affected the results of the RIT-T.

This RIT-T process has by necessity been of long duration and would have required significant and costly inputs by the proponents in addition to submissions from participants at a number of stages during the process. With regard to any future assessment of potential QNI upgrades, the NGF suggests an initial informal survey of Market Participants be considered to assess the need and any perceived benefits of a QNI upgrade prior to commencing the formal RIT-T process, this may prevent a repeat of the current costly process.

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 PACR. NGF members are happy to meet with Transgrid and Powerlink to discuss this submission to the RIT-T process.

Yours sincerely



Tim Reardon
Executive Director