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Thursday, 14 February 2019

Mr Gerard Reiter  
Executive Manager  
Network Planning and Operations  
TransGrid  
180 Thomas Street  
Sydney NSW 2000

Dear Mr Reiter

**RE: Expanding New South Wales - Queensland Transmission Transfer Capacity Consultation - Regulatory Investment Test – Transmission - Project Specification Consultation Report**

ERM Power Limited (ERM Power) welcomes the opportunity to respond to the joint TransGrid and Powerlink Project Specification Consultation Report which reviews options for the expansion of the transmission network transfer capability between New South Wales and Queensland.

**About ERM Power**

ERM Power is an Australian energy company operating electricity sales, generation and energy solutions businesses. The Company has grown to become the second largest electricity provider to commercial businesses and industrials in Australia by load<sup>1</sup>, with operations in every state and the Australian Capital Territory. A growing range of energy solutions products and services are being delivered, including lighting and energy efficiency software and data analytics, to the Company's existing and new customer base. The Company operates 662 megawatts of low emission, gas-fired peaking power stations in Western Australia and Queensland.

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**General comments**

ERM Power supports this timely review of options to increase transmission network transfer capacity between New South Wales and Queensland. The National Electricity Market (NEM) is in the process of change with the announced and forecast future retirements of large blocks of dispatchable generation output primarily with generation with intermittent output characteristics. To ensure that any potential impacts on secure operation of the power system are minimised and to ensure the ongoing supply of reliable energy to consumers, we believe that increased network transfer capability between NEM regions needs to be considered and implemented when it is demonstrated to be economically efficient to do so via a transparent Regulatory Investment Test -Transmission (RIT-T) process. This Project Specification Consultation Report (PSCR) forms Stage 1 of a RIT-T process.

In assessing options to increase transfer capability between regions, we believe it is critical that options which increase transfer capability in both directions should receive priority for assessment over options which increase transfer capability in one direction only.

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<sup>1</sup> Based on ERM Power analysis of latest published financial information.



## Scenarios proposed for modelling

ERM Power is generally supportive of the proposed scenarios; however, we are concerned that use of the Australian Energy Market Operator's (AEMO's) 2018 Electricity Statement of Opportunities (ESOO) demand forecasts may for a number of regions overstate future demand outcomes. Work undertaken by the Australian Energy Market Commission (AEMC) to compare AEMO's medium term forecasts, (which use AEMO ESOO forecasts in the initial years), to actual outcomes as part of the Reliability Frameworks Review Final Report found that in general AEMO's forecasts were conservative in nature and tended to over forecast when compared to actual demand outcomes.

Supporting this, actual demand outcomes in some regions this summer have yet again failed to meet forecast benchmarks in the presence of long-term record breaking temperature outcomes, even when demand is adjusted for exercise of the Reliability and Emergency Reserve Trader (RERT) contracts and the impact of involuntary load shedding. Based on this we believe that prior to commencing modelling, the proponents should work with AEMO's medium to long term demand forecasting planning group to consider and implement updates to AEMO's 2018 ESOO forecasts prior to commencement of any modelling work.

In addition, we are skeptical of the proposed use of the 2018 ESOO strong demand forecasts in the *Fast change 'state-of-the-world' scenario*<sup>2</sup> and the impact this may have on the calculation of longer term market benefits. We believe that as a minimum sensitivity testing using updated 2018 ESOO neutral demand forecasts should be undertaken.

## Potential Credible Options

ERM Power supports the credible options as proposed. In addition to consideration of either Option 1A or 2, we would be interested in the proponents providing details of network transfer capacity increases where initially Option 1A is completed followed at a later date by Option 2. It may be that this combination delivers transfer capability (approaching option 3B) but at significantly lower cost.

Also, when considering Option 2, given the strength and transfer capability of the existing Queensland transmission network between Bulli Creek and Braemar and Bulli Creek and Middle Ridge and further into the Queensland network, we believe consideration should be given to reducing the length of the proposed additional 330 KV circuit to terminate at Bulli Creek rather than Braemar. This would also remove the need for an additional 330/275 KV at Braemar. A combined Option 1A and 2 would also allow optimisation of voltage and reactive power control infrastructure common to both options. We believe these changes have the potential to reduce overall costs to consumers whilst providing the same level of network transfer capability. If over time, due to the addition of generation in southern Queensland, construction of this additional network segment was warranted, this could be undertaken if it was demonstrated to be economically efficient to do so.

We recommend that in the Stage 2 Project Assessment Draft Report (PADR) the proponents include the following information:

- the expected range of transfer capability for each of the Options over a range of operational conditions;
- the factors in each case which are expected to limit the transfer capability; and
- how this transfer capability may change for the addition of blocks of generation output in Renewable Energy Zones (REZs) 6 to 8 and 30 as contained in the PSCR<sup>3</sup>.

It is also recommended that independent verification of potential transfer capability and limit factors as set out in the PADR is contained as an appendix.

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<sup>2</sup> Page 20 Expanding NSW-QLD transmission transfer capacity RIT-T – PSCR

<sup>3</sup> Page 24 Expanding NSW-QLD transmission transfer capacity RIT-T – PSCR



Please contact me if you would like to discuss this submission further.

Yours sincerely,

[signed]

David Guiver

Executive General Manager - Trading

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