

Energy Consumer Submission Forum – Verbal Submission Capture Form

Date: 5 September 2022
Location: Online via MS Teams
Time: 10.30am – 12pm

Written record of verbal comments by energy consumers on the Victoria to NSW Interconnector West (VNI West) Project Assessment Draft Report (PADR).

1. Purpose:

AEMO Victorian Planning (AVP) and Transgrid are jointly progressing a Regulatory Investment Test for Transmission (RIT-T) to assess the viability of increasing interconnector capacity between Victoria and New South Wales.

The project has progressed to the second step in the RIT-T process, publication of the Project Assessment Draft Report (PADR), which identifies the proposed preferred option for VNI West.

This Energy Consumer Submission Forum assisted energy consumer advocates by providing feedback that has been transcribed by AVP into this written submission.

2. Attendees:

| Name | Company/Organisation |
|------------------|---|
| Craig Memery | Public Interest Advocacy Centre (PIAC) |
| Alex Driscoll | Edge Utilities |
| Andrew Richards | Energy Users Association of Australia (EUAA) |
| Sharon McIntosh | Queensland Farmers Federation (QFF) |
| Stephanie Bashir | Nexa Advisory |
| Warwick Ragg | National Farmers Federation (NFF) |
| Mark Grenning | Energy Users Association of Australia (EUAA) |
| Georgina Morris | South Australian Council of Social Service (SACOSS) |
| David Heard | Hiringa Energy Ltd |
| Tennant Reed | Ai Group |
| Jennifer Brownie | Queensland Electricity Users Network (QEUN) |

3. Topics for comment on the PADR:

At the commencement of the Energy Consumer Submission Forum, all attendees were provided the opportunity to nominate any aspect of the PADR they wish to comment on. Topics identified are as follows:

1. Net benefit concerns, and who pays
2. Treatment of uncertainty and project delivery delays
3. ISP offshore wind is not included
4. Manner and time in the transfer of the information. Needs to be iterative and transparent
5. Hydrogen superpower assumption

Submissions received:

3.1 Net benefit concerns, and who pays

AiGroup:

- The environment in which this process runs will continue to change rapidly. This will complicate efforts to complete an accurate assessment. Maximum transparency about the analytical process of the cost benefit assessment is essential.
- There will continue to be announcements of relevant policy positions and market developments. Consumer confidence that the RIT-T cost-benefit assessment is undertaken in good faith is most important, not the unimpeachability of every decimal point on the numbers.

QEUN:

- The environmental benefits of this project are being double accounted for.
- One of the assumptions is that if VNI West is delayed, which should be assumed likely considering the challenges other similar large transmission projects are facing, coal generators will be running harder in that period up to 2030. That will be working against what the Victorian government is looking achieve in terms of reduced carbon emissions.
- We are querying not just the cost-benefit assessment, but how the environmental benefits are accounted for and why this is considered a net benefit since coal generators will have to run harder prior to this project being commissioned.

PIAC:

- Consumer confidence in big transmission projects has been undermined by: repeated avoidable underestimation of network costs at earlier stages of the process (e.g. Project Energy Connect (PEC)), overambition about the time taken to build projects (e.g. Humelink), unrealistic final assessments of benefit (e.g. PEC), and costs being lumped with consumers for projects where the main beneficiaries entities other than consumers in a given region (e.g. Humelink, where the main beneficiary is Snowy; PEC, where New South Wales consumers pay most of the cost but South Australian consumers get most benefit; and REZes where the primary beneficiaries are generators rather than consumers).
- VNI West must address these issues by dealing more appropriately with uncertainty, having credible and transparent benefits assessments on both sides of the border (another PEC-style final net benefits assessment won't go down well), and timing is realistic, including any social license related delays.

3.2 Treatment of uncertainty and project delivery delays

QEUN:

- We are concerned about the construction timetable for transmission and bringing in the generation after. At this point in time, supply chains are well and truly constrained on generation.

PIAC:

- There will always be unexpected delays on large transmission projects like VNI West. As such, there needs to be an appropriate allowance for/treatment of uncertainty and the project needs to be based on a realistically achievable timetable allowing for potential known and unknown delays. Having timing that relies on the critical path and doesn't allow for uncertainty isn't a realistic way to proceed with a project like VNI West.
- When it's money that's being expected to be recovered from consumers through a regulated process, there should be more focus on making sure there's some allowance for uncertainty.

3.3 The impact of offshore wind should be considered

QEUN:

- Despite the Victorian government's offshore wind targets, which include an initial target of 2 GW by 2028, the ISP and VNI West RIT-T modelling does not include consideration of offshore wind. Given the social license for undersea transmission, to facilitate offshore wind, might be more palatable than onshore transmission, the impact of offshore wind development on VNI West benefits should be considered.
- There is a risk that offshore wind will be developed through a derogation. If AEMO's costings are correct in the ISP and AEMO's ISP team has removed offshore wind on the basis of it not being economic, then consumers are going to pay either directly, through their power bills, or indirectly through a taxes due to government financial support for offshore wind developments.
- Project Energy Connect satisfies the shortfalls for Australia, but at the same time in 2025/2026, there is unserved energy for NSW. We strongly believe that we cannot continue with these different insurance policies. We should be looking at a national plan to avoid the current shortfalls.

3.4 Manner and time in the transfer of the information. Needs to be iterative and transparent.

PIAC:

- There needs to be consistent analysis between AEMO and Transgrid, particularly with how benefits, costs and project timing are treated.

3.5 Hydrogen superpower assumption

PIAC:

- There's no credibility to having 18% weighting for hydrogen superpower in any project where the cost is being partly socialised among consumers. To the extent that VNI West is going to have costs socialised among consumers, hydrogen superpower scenarios should be irrelevant unless project proponents propose different cost recovery approaches on a beneficiary pays basis.
- It's not reasonable to propose consumers pay for the costs to subsidise the access to market for new big hydrogen export businesses. It's a questionable assumption that they'll exist in the first place.
- To the extent that AEMO and Transgrid want to put forward a RIT-T that includes hydrogen superpower elements in its weighting, it would be inappropriate to do unless AEMO and Transgrid both put forward cost recovery solutions to address that issue.

QEUN:

- While we believe there will be a large hydrogen industry, we do agree with PIAC that a hydrogen export industry should not be subsidised by Australian energy consumers.