

Consumer Advisory Panel

Meeting 12, 19 June 2018

Agenda

1. Welcome and introductions
2. CAP Executive Officer changes
3. Final Determination on Revenue Proposal
4. AEMO Integrated System Plan Update
5. Major projects
6. CAP future focus

Welcome and introductions

Ann Shaw Rungie – Independent Facilitator

CAP Executive Officer Changes

Rainer Korte – Executive Manager
Asset Management

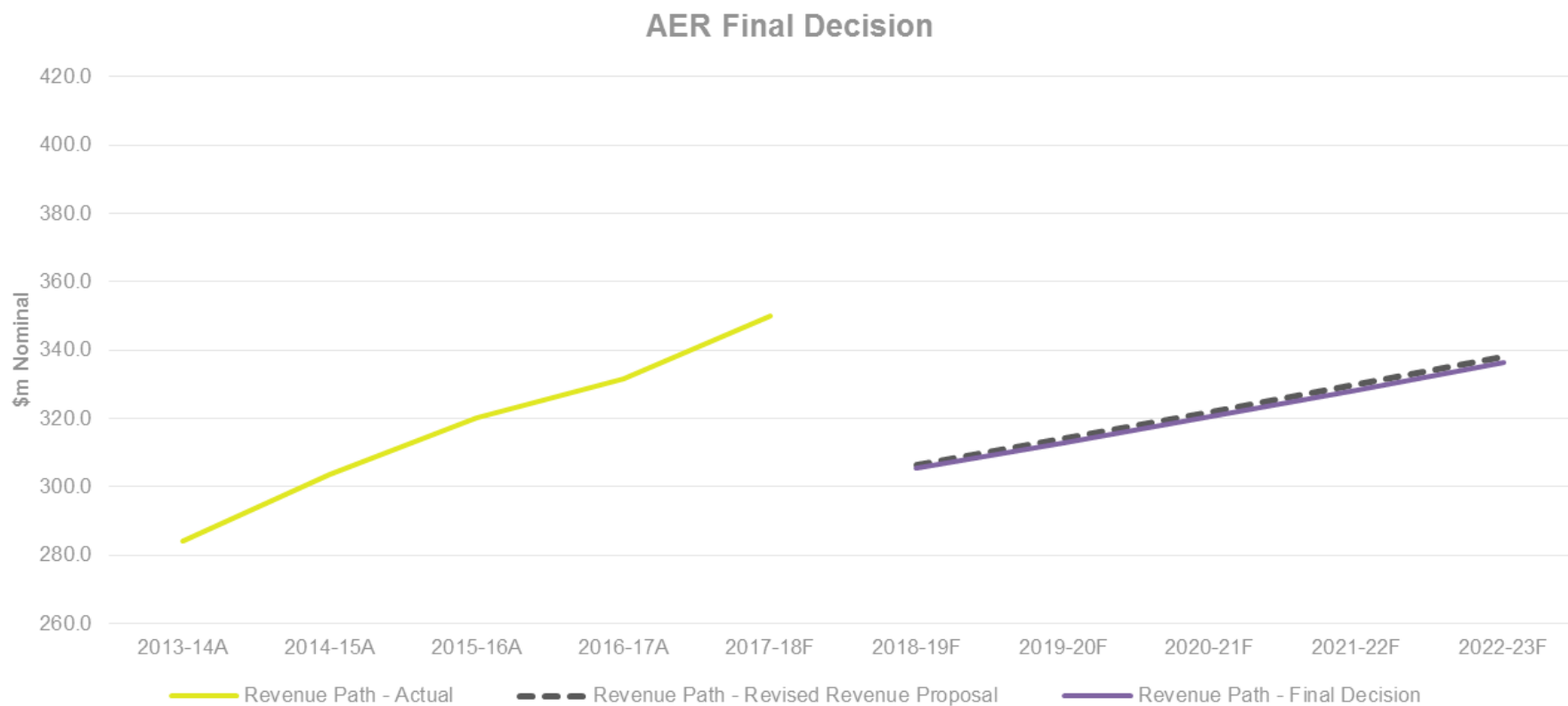
Final Revenue Determination

Simon Appleby – Senior Manager
Regulation and Land Management

Final Revenue Determination

Element	Outcome
WACC	All aspects approved, including gamma and inflation. Updated for market rates
Regulatory Asset Base (RAB)	Approved. Updated for inflation
Capex forecast	Approved, as per Draft Decision. Updated for escalation.
Contingent projects	All projects (5) accepted. Final clarifications to trigger events
Opex forecast	Revised forecast approved, including impacts of new system security obligations. Updated for escalation.
Other	All other aspects of Revised Revenue Proposal accepted, and updated where required

Revenue Path



AEMO Integrated System Plan Update

Rainer Korte



AEMO Integrated System Plan

- Recommended by Finkel Review
- AEMO December 2017 consultation paper released:
 - Identified 11 potential Renewable Energy Zones (REZs) in SA
 - Eight national priority transmission developments identified
 - Included new interconnection from SA and expansion of Eyre Peninsula transmission capacity
- Coordinated national approach has been reinforced
- Final ISP to be released early July 2018

Major Projects – Eyre Peninsula

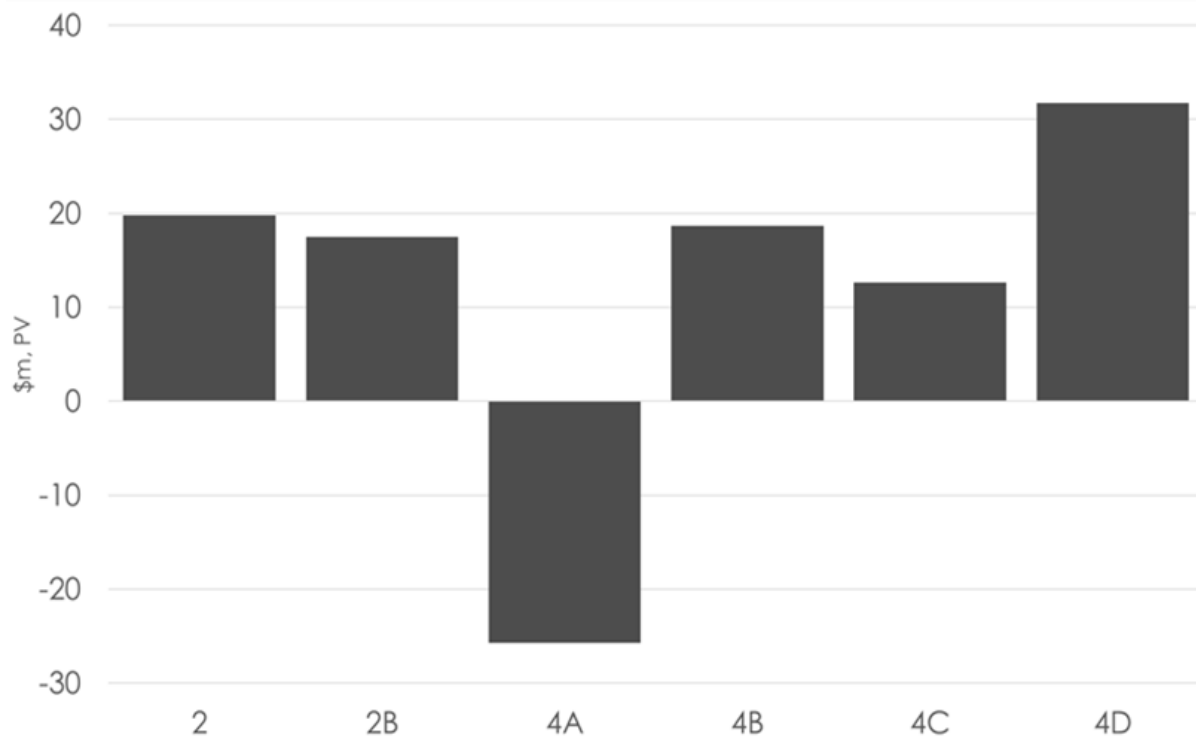
Rainer Korte



RIT-T Status

- Project Assessment Draft Report (PADR) issued on 16 November 2017
- PADR economic assessment showed that a new transmission line option maximises net market benefits
- Submissions on the PADR closed 19 January 2018
- Detailed work undertaken to analyse submissions and update options assessment
- Project Assessment Conclusions Report (PACR) being finalised for release end June 2018

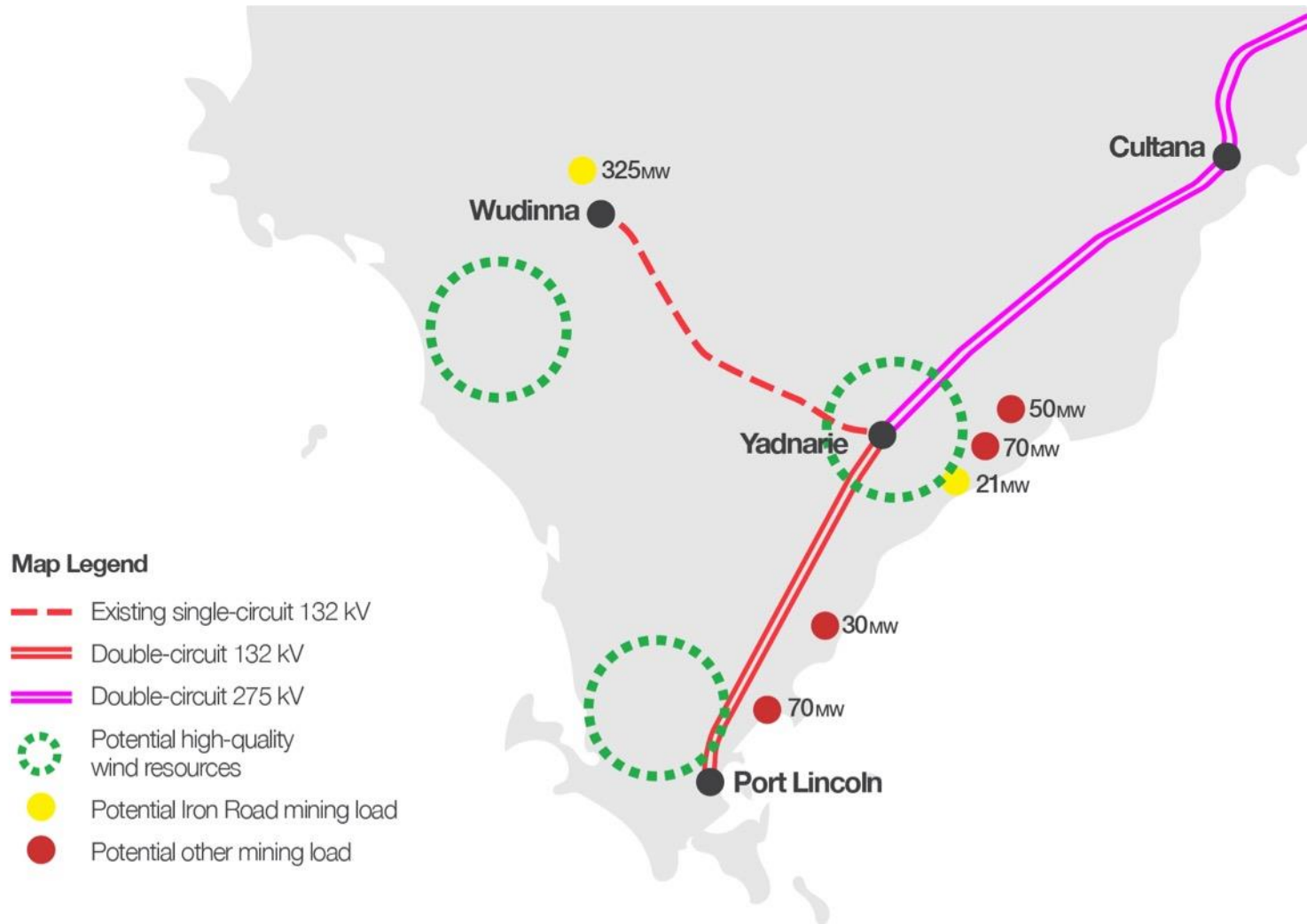
Option Assessment



Leading options...

- Option 2 – A new double circuit 132 kV line from Cultana to Yadnarie to Port Lincoln
- Option 4B – A new double circuit 275 kV line between Cultana and Yadnarie and double circuit 132 kV line between Yadnarie and Port Lincoln
- Option 4D – Same as Option 4B but with a double circuit 132 kV line between Cultana and Yadnarie that is capable of being upgraded to 275 kV later when needed

Location



South Australian Energy Transformation

Rainer Korte



 **ElectraNet**

electranet.com.au

RIT-T Status

- Project Specification Consultation Report (PSCR) issued November 2016, followed by further consultation reports
- Extensive feedback received
- Modelling work has progressed to assess credible options, taking into account regulatory and policy changes
- Closely coordinated with national planning processes, particularly AEMO's Integrated System Plan
- Project Assessment Draft Report (PADR) being finalised for release end June 2018

Recent Policy Developments

Federal Government

- June 2017 – Finkel Review recommends AEMO develop an Integrated System Plan (ISP)
- October 2017 – National Energy Guarantee (NEG) announced
- April 2018 – ESB presents a high-level design of the NEG to the COAG Energy Council

SA Government

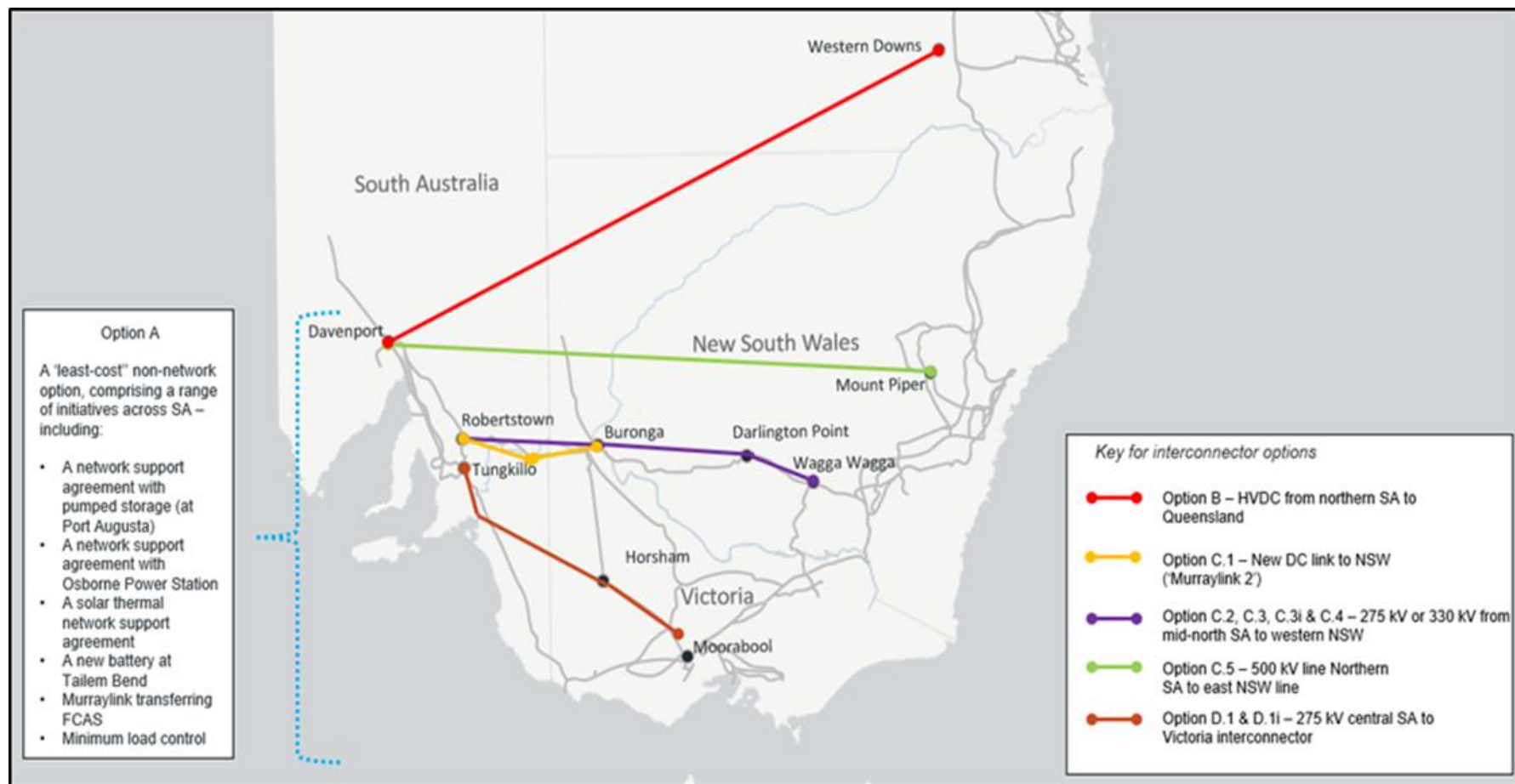
- March 2017 – ‘Our Energy Plan’
- July 2017 – Office of the Technical Regulator Generator Development Approval Procedure
- March 2018 – SA Election and a change in government and energy sector priorities

Key Policy and Regulatory Developments since the PSCR (7 November 2016)

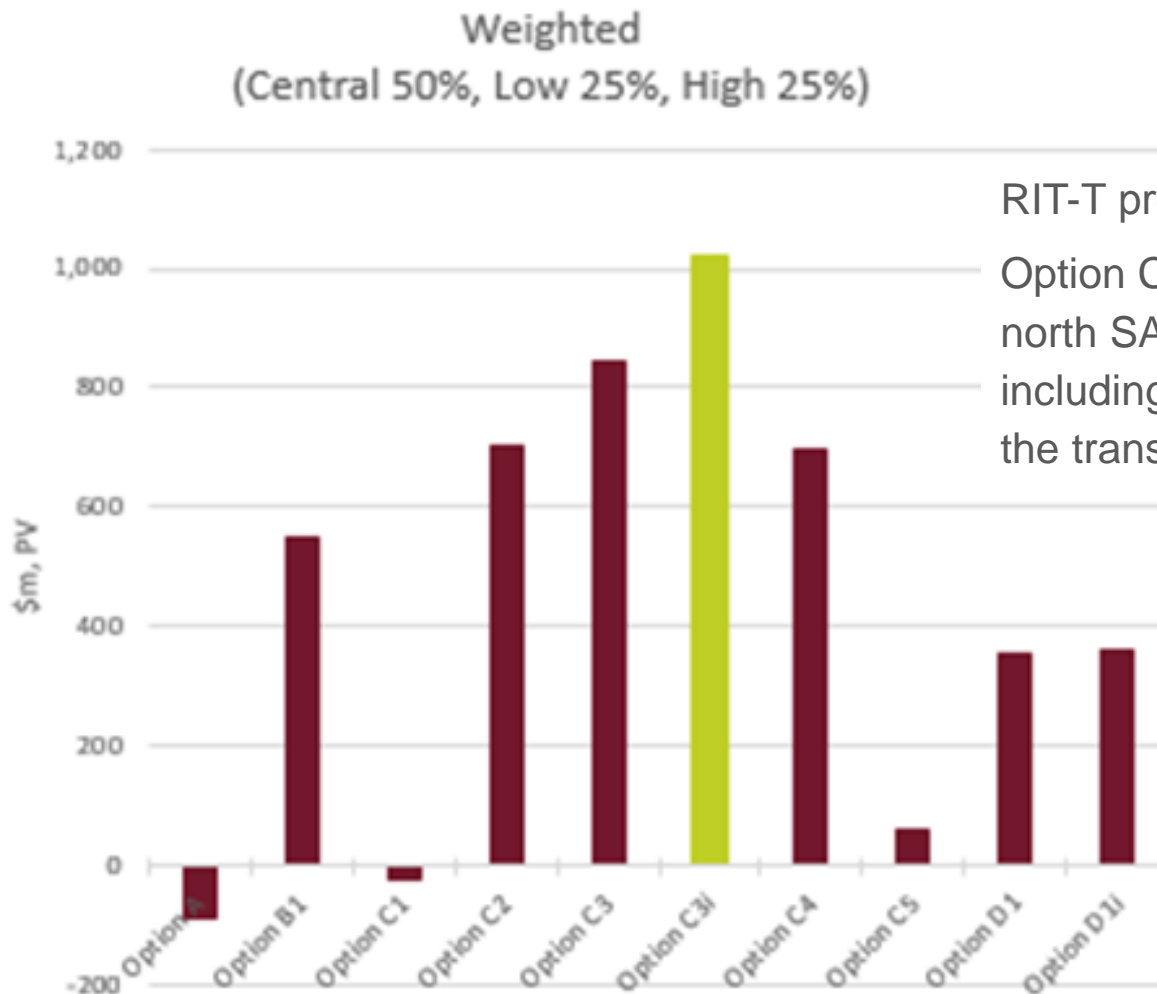
NEM Regulatory Bodies

- March 2017 – AEMC Final Rule on Emergency Frequency Control Schemes
- April 2017 – AEMO PSCR for the Western Victoria Renewable Integration RIT-T
- September 2017 – AEMC Rule Changes on the rate of power system frequency and managing power system fault level
- October 2017 – AEMO declares a minimum system strength requirement in SA
- June 2018 – AEMO releases first ISP

Options Assessed



Options Assessment



RIT-T preferred option is...

Option C3i – 330 kV line from mid-north SA to Wagga Wagga in NSW, including series compensation of the transmission line

The preferred option delivers positive net benefits across all reasonable future scenarios

Main Grid System Strength

Rainer Korte



Progress

Milestone	Timing
AEMO declared gap for system strength in SA	13 Oct 2017
ElectraNet issued request for pricing to AGL, Engie and Origin for generator contract solutions	19 Dec 2017
RFP closed	24 Jan 2018
Update provided to CAP and AER	Jan 2018
Evaluation of short and long term solutions	Feb - Mar 2018
AER, AEMO and SA Government confirm support for fast-track network solution	Mar 2018
Reasonable endeavours deadline to provide system strength services lapses	30 Mar 2018
Agreed fast track approach communicated to stakeholders	May 2018

Update

- Synchronous condensers remain the most efficient and least cost solution to the system strength need
- AEMO continues to direct synchronous generators to operate in the interim
- The cost and risk of relying on AEMO directions continue to grow, reinforcing the need for urgent action (with annualised costs now running at over \$70m)
- An efficient and timely staged approach provides a prudent and least cost approach, and brings forward cost savings for customers
 - Two synchronous condensers have recently become available which could save over 6 months in delivery time
 - Estimated to deliver net savings of around \$17m (i.e. \$2-3m per month)
 - Further increases the original estimated net cost saving of \$3 to \$5 per household
- Economic assessment report to be released in July 2018

Locations



ESCRI Battery Energy Storage

Rainer Korte

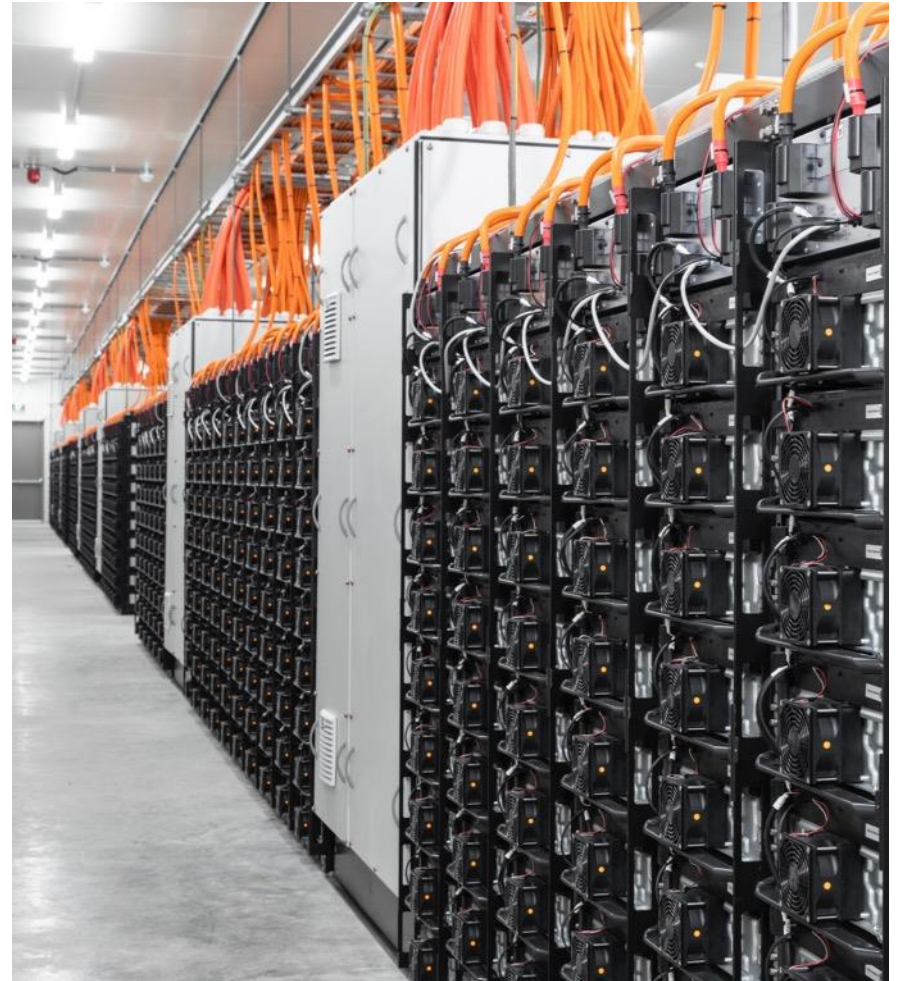
ESCRI



ESCRI



ESCRI



ESCRI



ESCRI SA Project Video



CAP Future focus

Rainer Korte

CAP Future

- January 2018 CAP meeting confirmed:
 - Important ongoing advisory role of Panel
 - Primary focus on improving the value of transmission services
 - ElectraNet's role to identify strategic priorities and drive the agenda
 - Key interest areas include revenue determination, energy sector challenges and major projects
 - Meeting frequency of 3 per annum, or as needed
 - Retain representation at a strategic level

Questions

Thank You

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