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Monday, 10 August 2020

Rainer Korte  
Group Executive Asset Management  
ElectraNet  
PO Box 7096  
Hutt Street Post Office  
Adelaide SA 5000

Dear Mr Korte,

**RE: Updated EnergyConnect cost benefit analysis**

ERM Power Retail Pty Ltd (ERM Power) welcomes the opportunity to provide comments on ElectraNet's updated cost benefit analysis for the EnergyConnect project.

**About ERM Power**

ERM Power (ERM) is a subsidiary of Shell Energy Australia Pty Ltd (Shell Energy). ERM is one of Australia's leading commercial and industrial electricity retailers, providing large businesses with end to end energy management, from electricity retailing to integrated solutions that improve energy productivity. Market-leading customer satisfaction has fuelled ERM Power's growth, and today the Company is the second largest electricity provider to commercial businesses and industrials in Australia by load<sup>1</sup>. ERM also operates 662 megawatts of low emission, gas-fired peaking power stations in Western Australia and Queensland, supporting the industry's transition to renewables.

<http://www.ermpower.com.au>

<https://www.shell.com.au/business-customers/shell-energy-australia.html>

**Revised comments**

ERM Power notes the increased cost assumption and revised market benefits claimed for the EnergyConnect project released by ElectraNet on 24 July 2020. We also note that the benefits claimed under the original regulatory investment test for transmission (RIT-T) were significantly reduced from \$924M to \$269M under the Central scenario by the Australian Energy Regulator (AER) as part of the RIT-T approval process.

We believe that the significant change in cost estimates, with the revised cost of the project nearly doubling those indicated in the original RIT-T Project Assessment Conclusions Report (PACR), combined with significant changes in claimed benefits, which have not been subject to independent AER review, constitute a material change in information considered under the RIT-T process.

We contend the preparation and release of a revised Project Assessment Draft Report (PADR), including rigorous sensitivity testing, is warranted in this circumstance. This would allow for a transparent review by third parties prior to reapplying to the AER for RIT-T approval under Clause 5.16.6 of the National Electricity Rules (NER) which was in force at the time the RIT-T process commenced.

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



Clause 5.16.4(z3) of the NER requires the proponent to consider whether, in its reasonable opinion, there has been a “material change in circumstances” that might lead to a change in the preferred option and thereby potentially require reapplication of the RIT-T. We consider the threshold for a “material change in circumstances” has clearly been met. We do not believe that the update issued by ElectraNet on 24 July 2020 constitutes a satisfactory presentation of the information on which the revised benefits are calculated to satisfy the RIT-T as the information provided has insufficient detail to allow reasonable assessment of the claimed benefits by independent parties including the AER.

The EnergyConnect project represents a significant and enduring cost increase for consumers and accordingly we consider the proponents should reapply the RIT-T process including a range of reasonable sensitivity analyses including application of the revised RIT-T for AER consideration and approval.

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

Yours sincerely,

[signed]

David Guiver  
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