

FW: Project EnergyConnect Stakeholder Update and Notice of Webinar



Clarke, Kendall (ENet)
To ● Clarke, Kendall (ENet)

Reply Reply All Forward ...

Tue 18/08/2020 10:55 AM

Sent: Monday, 10 August 2020 2:03 PM

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Subject: RE: Project EnergyConnect Stakeholder Update and Notice of Webinar

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Rainer

Thanks for sending the email below through and I understand that you wanted responses back by Friday 7 August about the use of the heat rate values to be used for the benefits of Project EnergyConnect (PEC). We ask that you treat this email as a formal submission to your enquiry. I have copied this email to other members of the ElectraNet Consumer Advisory Panel (CAP) as they might also be interested in the points raised in this response.

The MEU is aware that generator heat rates tend to increase (ie generators become less thermally efficient) as output reduces so it would appear that the proposal to use heat rates reflective of actual conditions as you propose has merit. Equally, the MEU points out that as ElectraNet (and AEMO and TransGrid) cannot determine what the actual operating output of a generator will be at any time, we cannot see how ElectraNet can use this data to make the forecast benefits of PEC more accurate.

With this in mind we consider that you should continue to use the headline heat rate (as done in the past) as the basis for assessing the benefit of using less generation in the future rather than trying to finesse the actual fuel savings by using a lower heat rate on the basis that a generator in the future would be operating at less than rated output. This approach will ensure that the outcome (ie the calculated benefits) will be more conservative than if attempting to identify what heat rates might be used to reflect lower outputs for each of the generators expected to be operating over the next 30-40 years and at what level of output.

In addition, your email also raises a concern about the process that will follow regarding the RIT-T approval by the AER under 5.16.6 of the rules and its decision to permit the project to proceed through the contingent project approval basis. I think that it is important that the CAP should be aware of the realities of the changes that have occurred to the PEC in recent times.

- In its approval the AER of the PEC raised concerns about the central cost forecast \$1.53 Bn
- Since the AER approved the PEC RIT-T AEMO has released its 2020 ISP which states that the PEC is now costed as \$1.99 Bn as the central case – a significant increase on the ElectraNet PACR central case value of \$1.53 Bn which was used by the AER for approval of the project and acceptance of RIT-T subject to some changes
- TransGrid in its June Transmission Planning Report cites that PEC at a capital cost up to \$3 Bn delivers net market benefits but it is not clear if this is based on TransGrid forecast of benefits or the AER forecast of benefits under the RIT-T approval
- At its presentation of the 2020 ISP AEMO observed that they were waiting for confirmation of the capital costs from ElectraNet and TransGrid. AEMO also provided views on future gas price assumptions (based on a confidential report from EnergyQuest which they would not share) and the need that two synchronous generators in SA have to be running at all times. Analysis of these issues impacts the benefits of PEC.

Arising from this information are two very important issues

1. The difference between the \$1.53 Bn on which the AER approved PEC and the 2020 ISP value of \$1.99 Bn is material so this differential would imply that a new RIT-T process is warranted. Consumers need to be confident that the forecast project costs will be accurate
2. There are concerns about the benefits of PEC and consumers look to the AER to verify that the benefits calculated by ElectraNet and TransGrid are reasonable. This can only be done if ElectraNet and TransGrid submit the revised benefits for AER scrutiny

ElectraNet advises that it intends to provide an update of the PEC and the associated processes on 20 August, and we would expect that the answers to our concerns will be addressed at that forum

Regards

David Headberry

Major Energy Users, Inc