

# Department of State Growth

OFFICE OF ENERGY PLANNING

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Dear Sir/Madam

## **ElectraNet’s “South Australian Energy Transformation RIT-T Project Assessment Draft Report”**

The Department welcomes the opportunity to provide a submission to ElectraNet’s Project Assessment Draft Report (PADR). This submission is reflective of the views of the Department and the Tasmanian state-owned energy businesses TasNetworks and Hydro Tasmania.

The National Energy Market (NEM) is undergoing a phase of unprecedented transformation, most notably to date in South Australia, with increasing levels of Variable Renewable Energy (VRE) and Distributed Energy Resources (DER), and decreasing levels of thermal generation as ageing generators exit the market. As this transformation occurs it is becoming increasingly important that investments in generation and transmission assets are appropriately coordinated and facilitated.

Interconnectors play an important role through transmitting energy between regions, harnessing the diversity of Australia’s energy resources (particularly renewable energy resources), enhancing energy reliability and security, as well as facilitating competition. Ultimately, these are outcomes that are beneficial for consumers.

A key priority for government and industry is ensuring appropriate transmission planning and investment frameworks are in place as the market transitions. The COAG Energy Council has tasked the Energy Security Board (ESB) with coordinating related work being carried out by Australia’s energy market bodies, including Australian Energy Market Operator’s (AEMO) Integrated System Plan (ISP), the Australian Energy Market Commission’s (AEMC) Coordination of Generation and Transmission Investment review and the Australian Energy Regulator’s (AER) review of the Regulatory Investment Test (RIT) guidelines.

Through the work that has been carried out to date, there has been a broad acknowledgement of the necessity of investment in transmission and interconnection assets to facilitate and complement the rapidly changing generation mix in the NEM. For example, AEMO’s ISP notes that:

*“Increased investment in an interconnected grid provides the flexibility, security, and economic efficiency associated with a power system designed to take maximum advantage of existing resources, integrate variable renewable energy, and support efficient competitive alternatives for consumers.”*

The Department welcomes the analysis carried out by ElectraNet in its PADR, which identifies that a new interconnector between South Australia and New South Wales would deliver substantial economic benefits and best meet the identified need of reducing costs, improving security and reliability and facilitating the national transition to lower emission energy sources.

A new interconnector between South Australia and New South Wales, as proposed by ElectraNet, would represent an important step in the transformation of the NEM. It is expected that interconnection will play an increasingly valuable role, primarily through allowing better utilisation of the geographic diversity of renewable energy resources between regions (including better linkage of flexible and dispatchable generation to demand centres). This important benefit is identified by AEMO's ISP and by TasNetworks' (Project Marinus) Additional interconnection between Victoria and Tasmania Project Specification Consultation Report.

The ElectraNet South Australian Energy Transformation RIT-T process is the first to take into account and incorporate the findings of AEMO's ISP, and successfully demonstrates the importance and value in being able to build a detailed cost-benefit analysis based on an underlying strategic plan that considers the future transmission and generation requirements of the entire NEM. As such, the ElectraNet RIT-T provides valuable learnings for further interconnector RIT-T assessments in the NEM.

It is important to also acknowledge the wider benefits (such as wider socio-economic benefits) which interconnector projects such as the ElectraNet proposal would provide but are not necessarily captured under the existing RIT-T framework. It is understood these considerations will be taken into account by the ESB as part of its coordinating role in assessing transmission planning and investment frameworks.

We will continue to monitor with interest the progress of this important work, which provides significant benefits not just for South Australia, but for the NEM more broadly as the current market transformation continues.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Gary Swain', written in a cursive style.

Gary Swain  
**Director of Energy Planning**

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