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Dear Messrs Korte and Spurio

### **South Australia – Victoria (Heywood) Interconnector Upgrade**

Alinta Energy welcomes the opportunity to make a submission in response to the ElectraNet and Australian Energy Market Operator (AEMO) Regulatory Investment Test for Transmission (RIT-T) Project Assessment Draft Report (PADR) for the interconnector between South Australia and Victoria.

Alinta Energy is an active investor in the energy retail, wholesale and generation markets and has over 2500MW of generation facilities in Australia (and New Zealand). In South Australia, Alinta Energy operates the Playford B Power Station and Northern Power Stations 1 and 2 at Port Augusta. Additionally, Alinta Energy maintains retail energy customers in all Australian mainland states but is particularly focused on developing a strong retail base in South Australia and Victoria.

On this basis, Alinta Energy has a strong interest in South Australian transmission developments and has first hand experience of the intra-regional limits within South Australia and the operation of the Victorian – South Australian interconnector. Alinta Energy is particularly sensitive to congestion impacts and risks arising from intra-regional trade, and supports sensible investment in the high voltage network.

Alinta Energy remains supportive of the assessment of interconnector capacity and upgraded options and the process to date. Alinta Energy's submission focuses on the:

- assessment process to date, through which Alinta Energy has made a previous submission;
- implication of assumptions in the PADR; and
- options analysis in the PADR.

### **South Australia – Victoria Interconnector Upgrade assessment process**

Alinta Energy is supportive of the staged approach to assessment that has been conducted thus far and supports the use of public forums to better inform stakeholders of progress and detailed analysis. For this both ElectraNet and AEMO should be congratulated given this is the first occasion on which the "new version" of the RIT-T has been progressed.

Nevertheless, one concern for Alinta Energy is that it is unclear what weight is given to submissions made by stakeholders. This includes Alinta Energy's previous submission of 30 January 2012 and the submission signed by a group of privately owned generators also submitted in response to the Project Specification Consultation Report.

In Alinta Energy's previous submission we outlined three specific interests.

1. The extent to which the current network configuration creates intra-regional constraints which should be addressed.
2. The extent to which interconnector limits are maintained independent of any proposed upgrade.
3. As broad a range of network and non-network options as possible be assessed under the RIT-T so as to ensure that the most economically valid proposal, if any, is progressed.

#### *Intra-regional constraints*

The options presented deal with intra-regional constraints in a number of different ways; however, Alinta Energy's view is that a case for augmentation of the intra-regional networks to resolve thermal and voltage stability limits in south-east South Australia has not been addressed sufficiently.

Further, Alinta Energy previously noted the productive work in the annual planning report which outlined a number of potential solutions to alleviate constraints, a positive development; and that these options be progressed as a matter of priority independent of the interconnector upgrade and as 'no regrets' pre-conditions to augmentation of the interconnector. This perspective has not been addressed directly.

Alinta Energy appreciates that the PADR attempts to consider a range of options for the interconnector upgrade that include some intra-regional solutions; however, inclusion of intra-regional solutions has occurred on a somewhat selective basis. While Alinta Energy realises the potential combination of options is vast, it is difficult to reconcile the analysis with the experienced impacts of thermal constraints and high wind penetration. This is notwithstanding the understanding that the 132kV proposal will have a positive impact on intra-regional congestion.

#### *Maintenance of interconnector limits*

Alinta Energy acknowledges that this is an issue which requires consideration from both a planning and a policy perspective. Nevertheless, it is unclear how AEMO and ElectraNet have responded to the view that maintenance of existing interconnections would to some degree diminish the need for the proposed upgrade.

#### *Broad range of options*

ElectraNet and AEMO are congratulated for their inclusion of a broad range of options, including non-network options within the PADR. While there are options that have not been included and should possibly be considered before moving forward, the range of credible options and the supporting analysis places the industry in a strong position.

There is a view, which Alinta Energy shares, that the process may have benefited from the establishment of a stakeholder reference group or similar to canvass options and issues. The use of working groups, by AEMO and the AEMC to canvass modelling and engage industry, would likely be a positive development. While it is for ElectraNet and AEMO to determine the value at this late stage of such a working group, Alinta Energy proposes that this is recommended as an addition to future RIT-T's processes across the NEM.

#### **Assumptions that require further consideration**

Alinta Energy appreciates that assumptions by their nature are tenuous and prone to being outdated during extended processes like a RIT-T and on that basis it is agreed that attempting to get every variable precise is an impossible task. Nonetheless, Alinta Energy was surprised the analysis does not canvass a low carbon price and low Renewable Energy Target option. While recent announcements do not suggest any pressing change to renewable energy policy high carbon price assumptions appear unlikely.

At the public forum it was also noted that a number of assumptions about thermal generation minimum load differed from practice. In fact, the minimum requirements for Northern Power Stations fall below those that are specified in connections agreement with ElectraNet.

Additionally, conversion of Playford B Power Station to open cycle gas generation was a surprise to Alinta Energy. To confirm, and this has been communicated to the market, Playford B Power Station is currently not generating given the current market conditions but will be maintained for future generation to support Northern Power Stations 1 and 2 and respond to evolving market conditions.

Similar issues arise when trying to identify the value of inter-regional energy flows. Three particular points stood out for Alinta Energy:

- the assumed removal of significant quantities of thermal generation in Victoria;
- the costs of gas generation that is exported into South Australia; and
- the assumed construction of the Moorabool/Mortlake to Heywood line in Victoria which it is understood is not part of the PADR, but required to justify the expansion of the interconnector.

The last point, the Moorabool/Mortlake to Heywood 500kV line, again suggests that a precondition to expanding interconnector capacity through a third Heywood transformer is resolving intra-regional network solutions within both Victoria and South Australia where a net market benefit can be identified in a process separate to the inter-connector RIT-T.

### **Option analysis in the PADR**

Alinta Energy does not oppose the option recommended by ElectraNet and AEMO but believes support for this option is inhibited by a failure to progress a third transformer in the south-east. Unfortunately, the analysis of the third transformer option was not presented, i.e. as option 4a, given it was identified as less beneficial than option 1a. Alinta Energy queries this approach.

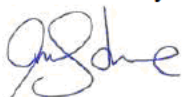
Alinta Energy notes the Infigen scheme has a number of benefits that may not have been appropriately assessed. While Alinta Energy is neutral on this option there is scope to consider this scheme in conjunction with other intra-regional options to reduce constraints and alleviate congestion risk that all generators in South Australia continue to regard as inefficient.

Alinta Energy notes, as indicated above, that it is intended that the work on the 132kV lines should relieve intra-regional constraints to a degree. Alinta Energy believes this is a critical issue for the South Australian region and that the risk of congestion increasing must be appropriately countenanced. On that basis, the pursuit of a more fulsome option analysis and modelling around the 132kV and additional intra-regional augmentations, preferably the third south-east transformer should be considered.

### **Conclusion**

Alinta Energy welcomes the work that ElectraNet and AEMO have undertaken and welcomes consideration of the issues raised above.

Yours sincerely



**Jamie Lowe**  
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