

29 January 2015

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Dear Mr Korte

**RE: Network Capability Proposal**

Thank you for your letter dated 23 December 2014 regarding ElectraNet's Network Capability Proposal.

The Australian Energy Market Operator (AEMO) Planning team has reviewed ElectraNet's draft Incentive Parameter Action Plan and I am pleased to provide you with our feedback.

We appreciate that the majority of the comments and suggestions that AEMO provided to ElectraNet have been reflected in the draft Plan, however there are still some outstanding issues that ElectraNet and AEMO need to continue to work together to resolve.

Listed below are three key points that I would like to highlight:

- The market benefit expected to be delivered by implementing the Riverland Upgrading project cannot be realised without upgrading the existing Robertstown – North West Bend line #1. Based on the latest information we received from ElectraNet, the project for upgrading the existing Robertstown – North West Bend line #1 is not yet committed. In order for AEMO to be in a position to endorse the Riverland Upgrading project or a NCIPAP proposal including this project, ElectraNet will need to commit to implementing the project for upgrading the Robertstown – North West Bend line #1.
- The Lower South East upgrading project requires compatible upgrading of the Heywood – South East lines (as noted in ElectraNet's draft Plan) and the resolution of the concerns associated with stability limitations. The market benefit expected to be delivered by implementing the Lower South East upgrading project cannot be realised without upgrading the Heywood – South East lines. Currently the feasibility, cost estimate, and project lead time requirement for upgrading the Heywood – South East lines are still uncertain. Further works are required to resolve these issues.
- The total estimated cost of the final NCIPAP proposal needs to meet the required threshold level (1% of ElectraNet's Maximum Allowed Revenue for the three-year period from 2015-16 to 2017-18). Based on the draft Plan, the total estimated cost of either of ElectraNet's possible proposals assuming the issues related to the projects above are resolved is still below this threshold. We recommend that ElectraNet explores additional project(s) to make sure the total estimated cost of final NCIPAP proposal meet the 1% threshold level.

We are pleased to continue to work collaboratively with ElectraNet to further discuss and resolve the remaining issues.

If you have any queries or comments, please don't hesitate to contact Laura Walsh, acting Manager National Planning on (02) 8884 5618.

Yours sincerely



Louis Tirpcou  
**Group Manger Planning**