South East Australia Gas Pty Ltd

ABN 73 096 437 900
Level 4, 70 Hindmarsh Square
GPO Box 2666 Adelaide SA 5001

Ph 08 8236 6800

www.seagas.com.au

27 February 2017

Mr Hugo Klingenberg
ElectraNet
PO Box 7096
Hutt Street Post Office
Adelaide SA 5000
Lodged by email to: consultation@electranet.com.au

ElectraNet South Australian Energy Transformation RIT-T – Project Specification Consultation Report, Market Modelling Approach & Assumptions Report and PSCR Supplementary Information Paper

Dear Mr Klingenberg

SEA Gas welcomes the opportunity to comment on the first stage of the RIT-T for ElectraNet's proposed South Australian Energy Transformation, in response to its Project Specification Consultation Report (**PSCR**), Market Modelling Approach & Assumptions Report (**MMAAR**) and Supplementary Information Paper (**SIP**).

Although SEA Gas is a gas transmission pipeline operator, it has a significant interest in the electricity market as a key provider of gas transmission services to power station operators, both in South Australia and Victoria. Inter alia, SEA Gas' ability to cater for rapid variations in short term gas supply is a critical enabler of flexibility in gas-fired generator despatch, including provision of frequency control services to support system security.

SEA Gas' general observations in relation to the RIT-T are as follows:

- It is widely acknowledged that the NEM is experiencing unprecedented change, including in relation to:
  - carbon abatement
  - closure of coal-fired power stations, including planned withdrawal of generation in Victoria and New South Wales
  - technological advancements
  - declining costs of distributed generation and storage, and the resultant increase in uptake of the same
  - consumer behaviour
  - recent gas market impacts associated with the lead-up to and commencement of LNG export from Gladstone

  - market reviews[1]
  - other responses to emergent technical challenges following the continuing shift in generation mix from synchronous to asynchronous units
- This situation creates enormous uncertainty as to likely future outcomes and thus an environment in which long term investment decisions carry a very high degree of risk
- Interconnectors, by their very nature, involve high capital costs (the indicative range in the PSCR is $500m to $2,500m), take significant time to implement and require long payback periods (measured in decades)
- Additional interconnection such as that contemplated in the RIT-T would not resolve all system security challenges currently facing South Australia; instead, it would be likely to exacerbate problems that have recently emerged following withdrawal of synchronous generation in the state
- Given better resolution of the specific technical requirements that need to be addressed and appropriate market signals, SEA Gas believes that a range of non-network solutions to current and future challenges will be available. Further, such alternative solutions will offer flexibility as to scale, geographic diversity and other potential benefits and thereby yield significant option value.

Accordingly, the current circumstances dictate that the RIT-T assessment must, now more than ever before, be fully and robustly tested to ensure a high level of confidence that forecast benefits are likely to be realised across a wide range of possible future states. Any deficiency in that regard will undermine the integrity of the process, risk outcomes that offend the National Electricity Objective and may expose consumers to unacceptable risk.

The MMAAR suggests that ElectraNet no longer considers competition benefits to be a compelling factor. If that is the case, SEA Gas queries whether the identified need (the first limb of which of which relates to competition benefits) for the RIT-T remains valid and, therefore, whether continuation of the process beyond its current stage of development is justified. Notwithstanding, SEA Gas' response to the:

- PSCR and MMAR is provided in Attachment 1
- SIP is provided in Attachment 2.

I trust that SEA Gas' submission will contribute to the robustness of ElectraNet's RIT-T assessment. Should you wish to discuss any of the points raised, please contact Paul Frederick, Head of Business Development on (08) 8236 6823.

Yours sincerely

Wendy Oldham
Chief Executive Officer

[1] The recent report by the Expert Panel chaired by Dr Alan Finkel identifies some 20 or so current or recent reviews and reforms

ATTACHMENT 1

What do you think of ElectraNet's proposed phased approach to assessing options? To what extent do you think this approach is appropriate for this situation?

SEA Gas generally considers a phased approach along the lines described in the MMAAR is appropriate. However, it is important that each phase is comprehensively tested to reasonable conclusion prior to proceeding to the next one. Given that, the level of uncertainty that exists and the in depth technical analysis required to fully test alternatives, SEA Gas is of the view that the timelines set out by ElectraNet to complete the RIT-T are unrealistic and believes that seeking to meet the aggressive deadlines proposed will severely undermine the integrity of the process.

In relation to each phase:

1. Phase 1 (first pass screening of costs and proposed scenarios):
   - SEA Gas' comments on the variables proposed for the scenarios are presented in the next section, below.
   - In addition to cost, there is a need to also consider schedule and potential for slippage. In that regard, SEA Gas notes that:
     - all interconnector alternatives being considered in the RIT-T are substantial greenfield projects and therefore have significant scope for extensive delays due to land access and permitting requirements
     - AEMO's 2016 NTNDP (section 5.3.2) identifies issues (Kirchoff's law and the "spring washer" effect) associated with some interconnector alternatives that would necessitate a review of NEM market design, plus require consideration in relation to material inter-network impacts. Any such revisions also need to be considered from a schedule perspective.

2. Phase 2 (more detailed analysis of shortlisted options):

   As a general observation, SEA Gas notes that section 2.2 of the MMAAR appears to be heavily focused on interconnector options. Similar treatment and the same level of detailed analysis also need to be applied in an objective manner to potential non-network solutions.

   2.1. Technical specification and assessment of complementary projects
   - SEA Gas considers that a similar level of engineering work to that contemplated for the interconnector options being considered needs to be undertaken to better inform potential non-network solution alternatives
   - it would appear that ElectraNet and/or AEMO are the parties best placed to undertake such analysis in order that proponents of non-network solutions can be adequately informed to put forward alternatives. The approach outlined in the PSCR and MMAAR suggests that ElectraNet expects non-network solution proponents to respond absent such analysis or opportunity for interactive consultation.

   2.2. Risk & uncertainty assessment

   SEA Gas agrees with ElectraNet's statement in the first paragraph of section 2.2.2 of the MMAAR that effort is necessary to duly consider a wide range of potential scenarios, including those that may have a low probability of occurring but could materially change the RIT-T assessment. By way of example:
   - SEA Gas understands that recent changes to RoCoF limits in South Australia have resulted in the Heywood interconnector being constrained approximately 20% of the time. To the

extent that such an outcome was not anticipated in the Heywood Upgrade RIT-T (for which the Project Assessment Conclusion Report was released in January 2013), it would appear that the anticipated benefits of the Heywood upgrade may already be under threat.

- SEA Gas notes that ElectraNet intends to test a high gas price sensitivity over and above the range contemplated for the three scenarios proposed in the MMAAR. As discussed in subsequent sections, below, SEA Gas considers gas prices proposed by ElectraNet for the three scenarios are already biased to the high side and, accordingly, there is a need to test outcomes at substantially lower gas prices, such as the $2.50/GJ target cost for the Leigh Creek Energy Project.

2.3. Estimation of any option value

The MMAAR appears to acknowledge that the interconnectors proposed have little or no scope to provide option value. However, the document is silent on the approach to be used to assessing option value for non-network solutions. The potential contribution of option value toward "future proofing" solutions or at least mitigating any potential regret in an uncertain world should not be ignored and, indeed, the RIT-T process requires that option value be given due consideration.

3. Phase 3 (Verification of outcomes)

SEA Gas considers that the devil will be in the detail and significant time and effort will be required to ensure a robust and transparent assessment against a very broad range of assumptions.

To what extent do you agree with ElectraNet's assessment of the key variables expected to drive net benefits? Are there other factors that you think should be taken into account?

1. Gas Prices

The MMAAR refers to gas price assumptions in the AEMO National Gas Forecasting Report (**NGFR**) which, in turn, relies upon a report prepared by Core Energy. The Core Energy report assumes the higher of LNG netback and production costs and only appears to consider existing major production sources to arrive at prices of $6.50, $7.00 and $8.50 per GJ respectively for Weak, Neutral and Strong scenarios.

SEA Gas considers that the AEMO NGFR fails to take into account a number of potential game changers in domestic production or pricing impacts from possible LNG import and, thus, the gas prices contemplated in the MMAAR are not representative of the potential range of outcomes.

By way of example:

- ASX releases[2] by Leigh Creek Energy indicate an estimated 2,964PJ syngas resource (2C basis) from its Leigh Creek Energy Project (**LCEP**) with a target pipeline gas production cost of $2.50/GJ.
- 3D Oil is currently seeking a farminee to progress development of a 6.8 TCF P50 Prospective Resource (Best Estimate) from a total of 6 prospects and leads within the T/49P permit in the offshore Otway Basin. It indicates[3] that a gas price of $6/GJ provides a robust economics for field sizes greater than 400 BCF.

[2] Investor Presentations dated 8 April 2016 and 23 November 2016

[3] Investor Update May 2015

- Recent press articles in relation to the Victorian onshore gas drilling moratorium report that:
  - Shell estimates Victoria's wholesale gas price could be $6-$7 a gigajoule lower if Victoria was to scrap its ban on onshore gas drilling[4]
  - Just one of Lakes Oil's permits in Victoria is thought to hold about 11 TCF of recoverable gas[5]

All of the above support a view that there is scope for material additional gas supplies to be developed in the relatively near term and potential for gas prices to fall significantly below the $6.50/GJ proposed for the Low scenario in the MMAAR.

In addition, other developments with the potential to put downward pressure on prices have recently occurred in the gas market, including:

- the launch of the South Australian government's PACE program
- the release of new exploration acreage by the Queensland government, with the stipulation that gas produced is used solely for domestic consumption
- AGL's announcement of a $17m feasibility study for an LNG import terminal.

SEA Gas notes that ElectraNet proposes to incorporate prospects of specific projects in relation to additional spot loads in SA. In a similar manner, the above must be taken into account with regard to prospective gas market developments.

2. SA Security Obligations

AEMO's NTNDP (section 5.2.1) states that there "is a large percentage of time where it is unknown how the South Australian power system would respond to a non-credible separation event" and "the capability of the South Australian network to withstand different levels of RoCoF is currently being investigated". Accordingly, it is apparent that sensible conclusions as to the appropriate RoCoF standard can only be drawn once these investigations are complete.

In any event, in the absence of outcomes from AEMO's investigations, SEA Gas queries why ElectraNet has proposed a tighter 1Hz RoCoF limit under the High scenario, rather than adopting 3Hz (which has only recently been imposed in response to current challenges facing the network) uniformly.

Section 5.2.1 of AEMO's NTNDP also acknowledges that while additional interconnection such as that contemplated in the RIT-T can assist in some aspects of frequency management, it would provide little benefit to system strength in South Australia. The NTNDP also recognises that a locally provided (non-network) solution would both enhance system strength and provide a geographically distributed response toward mitigating the consequences of a separation event. Increased interconnection can reasonably be expected to further challenge the viability of remaining synchronous generators in SA, thus making it all the more difficult (and costly) to maintain system strength and distributed inertia. These impacts of increased interconnection need to be duly considered and the true cost implications reflected in the RIT-T analysis.

3. Value of Customer Reliability (VCR)

SEA Gas considers that suitably deployed non-network solutions would prevent complete loss of the state occurring. Similarly, the likelihood and consequences of separation can be expected to

[4] Australian Financial Review 12 January 2017
[5] Australian Financial Review 11 January 2017

decrease over time due to increased Distributed Energy Sources (**DER**), including generation behind the meter and uptake of batteries.

SEA Gas does not agree with ElectraNet's suggestion in section 4.2.3 of the MMAAR that supply from DER should not be netted off native demand. To the extent that current technology limits the contribution from DER during grid failures, it is highly likely that any such limitations will be overcome in the relatively near future as technological advancements occur in response to emergent challenges. Such capability will increase the resilience of the local network over time.

AEMO's NTNDP indicates that it has assumed a separation event occurs every 3.4 years based on 5 events that have been recorded over the 17 years since the NEM commenced, albeit that three of these events were caused by Northern Power Station (**NPS**) (which is no longer relevant, having been retired in May 2016). Given the withdrawal of NPS, SEA Gas' view is that the RIT-T should instead consider a reduced frequency of separation events based on intervals of 8.5 years.

4. Emissions Reduction Policy

SEA Gas agrees that the potential impacts of proposed state based renewables targets should be considered. This should include states other than Victoria, which appears to be the only state scheme explicitly contemplated in the MMAAR.

5. Cost of New Entrant Generators

Analysis of new entrant generators should consider power generation potential associated with the LCEP. A recent announcement[6] by Leigh Creek Energy indicates that the robustness of results from its initial scoping study, which included a power generation case ranging from 150MW to 550MW and a natural gas production case ranging from 20PJ up to 80PJ, have resulted in Board approval to proceed to pre-feasibility.

In addition to new entrants, analysis need to consider return of existing generators. For example, SEA Gas expects that one or both units at Pelican Point Power Station would be likely to return to permanent service once additional gas supply becomes available.

6. Electricity Demand

The MMAAR scenarios reference the AEMO National Electricity Forecasting Report (**NEFR**) outlook. Recent history has shown how difficult it is for bodies such as AEMO to accurately forecast demand, particularly given recently introduced factors such as the rapid uptake of PV and reduction in demand that has come about though improved energy efficiency. Given this, SEA Gas considers it necessary to consider a broader range of outcomes for the RIT-T.

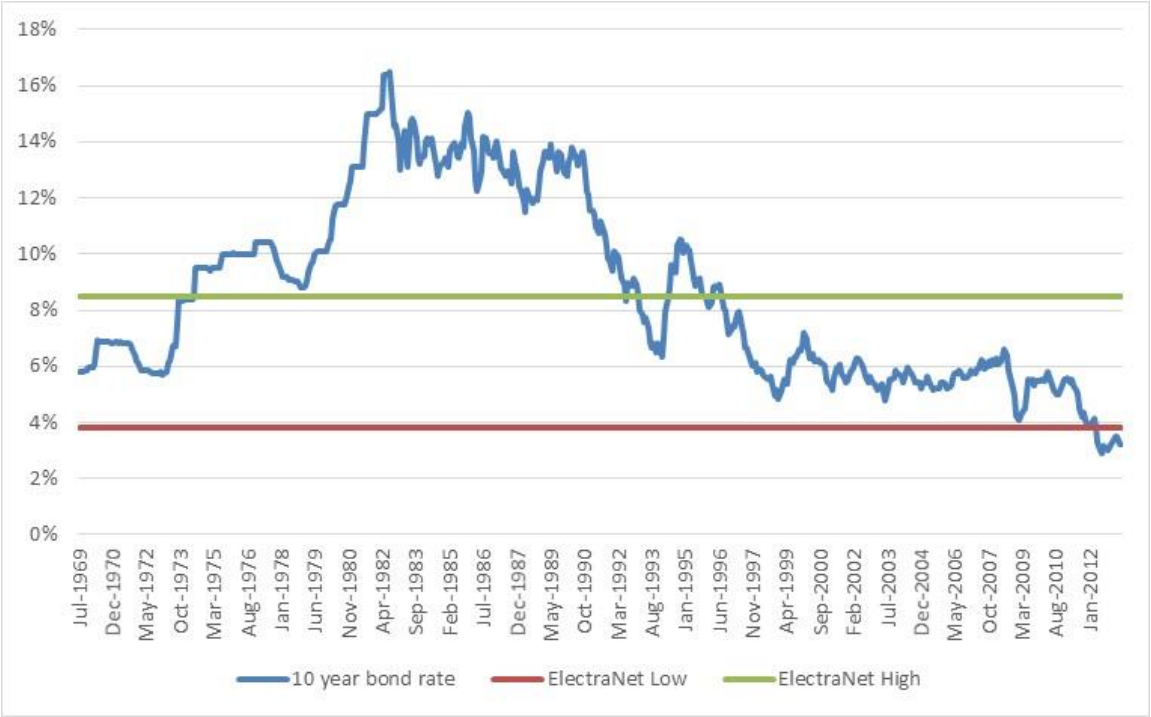
While ElectraNet's proposed addition of potential South Australian spot load development to the High scenario addresses this in terms of potential increased demand, this is an asymmetric approach as there is no corresponding reduction considered in the Low scenario. Similarly, potential changes to the supply / demand balance on the other end of the interconnector should also be given due consideration, for example:

- in the case of interconnection to Victoria, the impact of recent announcements relating to Hazelwood's retirement and continued operation of the Portland smelter
- in the case of interconnection to NSW, the need for load shedding on 10 February 2017 raises significant questions as to the extent that notional capacity reserves in other jurisdictions could be relied upon to support South Australia.

[6] ASX release dated 30 January 2017

7. Discount Rate

SEA Gas has compared ElectraNet's proposed range of real pre-tax WACC to the 10-year bond rate history, as shown in the chart below.



While ElectraNet's proposed WACC range covers fluctuations in the observed bond rate since the mid-1990s, it is materially below that which occurred over the two decades prior. SEA Gas therefore suggests that the high end of ElectraNet's proposed WACC range needs to be substantially increased unless some other form of protection (such as a cap on the allowable regulatory return) is to apply.

What do you think about ElectraNet's proposed tools and approaches for estimating market benefits? Are there any other considerations that you think should be included?

1. Benefits estimation using wholesale market modelling

As acknowledged by ElectraNet in the PSCR, wholesale market modelling requires a number of simplifications and assumptions regarding the operation of the market and behaviour of individual market participants. It therefore generates theoretical results that may be materially different to those likely to occur in practice.

In the context of the RIT-T, and particularly in the case of the interconnector options under consideration (where high capital costs are invested up-front and payback periods are significant), SEA Gas considers the consequences of a poor decision too high to rely solely on such theoretical modelling.

1.1. System security benefits estimation

1.1.1. Probability of non-credible separation of SA from the rest of the NEM

SEA Gas considers that a number of initiatives already underway or planned will materially reduce the probability of non-credible separation of SA from the NEM. These include:

- the proposed introduction of the protected event category
- the potential introduction of an inertia market and system strength standards, as contemplated in the AEMC's Interim Report from the System Security Frameworks Review
- the introduction of a RoCoF limit
- changes to market operations, such as the introduction by AEMO of a minimum operating requirement[7] in relation to synchronous capacity in South Australia.

1.1.2. Probability of non-credible separation leading to unserved energy

SEA Gas considers that the probability of non-credible separation leading to unserved energy will substantially decrease due to the factors referred to above.

1.1.3. Estimates of the amount of unserved energy during a period of islanding of SA

As noted above, SEA Gas does not agree with ElectraNet's suggestion in section 4.2.3 of the MMAAR that supply from DER should not be netted off native demand. To the extent that current technology limits the DER contribution during grid failures, it is highly likely that any such limitations will be overcome in the relatively near future as technological advancements occur in response to challenges that are now emerging. Such capability will increase the resilience of the network over time.

1.1.4. Estimates of the value that end consumers would place on unserved energy

No comment.

1.2. Competition benefits estimation

The identified need put forward by ElectraNet as the basis for the RIT-T comprised three limbs, the first of which was in relation to lowering wholesale prices in South Australia by facilitating greater competition between generators.

The PSCR states that "the ability to utilise more low-cost generation sources elsewhere in the NEM as an alternative to South Australian gas generation, leading to lower costs of electricity supply overall, is a key benefit anticipated from options that involve additional interconnection". In that document, ElectraNet also indicated it considered that wholesale price differentials between South Australia and the eastern states could see South Australian customers pay around $500m more, per annum, than equivalent customers interstate.

However, section 4.3 of the MMAAR indicates that "further work undertaken by ElectraNet since publication of the PSCR indicates that competition benefits are unlikely to be a critical factor in determining the option with the highest net benefits in this RIT-T. That should not be interpreted as the options do not create competition benefits. Rather the magnitude of the benefits are not by themselves sufficient to exceed the likely cost gap between options".

Given the relative movement in electricity futures between South Australia and the eastern states that has occurred in recent months, SEA Gas concurs that perceived competition benefits are highly tenuous. In addition, SEA Gas' view is that any existing fuel cost advantage that may otherwise have underpinned competition benefits into future will disappear, as new

[7] Refer AEMO Market Notice 56089 dated 2 December 2016.

gas supply is developed and coal fired generation faces mounting challenges to its viability with the continuing push toward lower emissions.

SEA Gas interprets ElectraNet's statement in the MMAAR as saying that the first limb of the identified need for the RIT-T is no longer considered to be a compelling factor. If this is correct, it appears to be a remarkable turnaround in a period of less than two months and SEA Gas therefore queries whether the identified need upon which the RIT-T was originally based remains valid and justifies continuation of the process beyond its current stage of development.

1.3. Ancillary services benefits estimation

In section 4.4 of the MMAAR, ElectraNet states "Given the uncertainty around future ancillary services markets, particularly for operational time frames shorter than are currently included in ancillary services arrangements, it is not possible currently to develop an accurate NEM-wide model of these future arrangements". SEA Gas considers that the same statement could be extended to many of the variables and uncertainties that will need to be taken into account for the RIT-T assessment. That being the case, the broader question is whether it is possible under the circumstances to conduct a RIT-T at all.

Notwithstanding, in relation to existing ancillary services such as FCAS, SEA Gas understand that retrofits have already been completed to enable additional gas fired plant in SA to participate in that market. Accordingly, the market appears to already be responding to an identified need and is doing so at no cost to the consumer (in the context of the RIT-T, at least).

SEA Gas also notes that other potential ancillary services, such as Fast Frequency Response, are being contemplated and that relatively low cost alternatives for the provision of such services are likely to be available[8].

To what extent do you agree with the key components identified in ElectraNet's wholesale market modelling approach? Are there other factors you think need to be addressed?

1. Long-term expansion model

Given that the long-term expansion model involves simplification of the transmission network (as noted in the MMAAR), it will produce theoretical results which may not reflect reality. Similar to comments above in relation to benefits assessment using wholesale market modelling, SEA Gas considers the value of results from such simplified modelling approaches is questionable.

1.1. Method for incorporation of emissions policy

SEA Gas notes that the potential for state based renewable targets may alter locational signals for new investments, in turn, potentially significantly affecting the generation mix in other jurisdictions. Similarly, locational decisions for new renewable projects may be affected by other factors such as changes to minimum access standards in South Australia in order to arrest the decline in system strength. It is unclear how such considerations are to be factored into the modelling approach proposed.

[8] Refer Acil Allen's report to the Australian Energy Council "*South Australian Technical Challenges: Integration of Renewables – Assessing Potential Solutions*" dated 2 September 2016.

In relation to the RET, recent media coverage highlights the potential for market participants to elect under certain circumstances to pay the RET penalty rather than acquire LGCs. The potential for such behaviour and its possible impact on modelling outcomes needs to be factored into ElectraNet's approach.

1.2. Retirement of conventional generators

The approach outlined and considerations highlighted in the MMAAR with respect to retirement of conventional generators appears to ignore potential changes to market design and operation. For example, the AEMC's Interim Report from the System Security Frameworks Review indicates that the introduction of an inertia market and system strength standards may be likely. If so, this could significantly impact decisions regarding generator entry and exit.

New interconnection will be likely to have a significant impact on the viability of existing indigenous generation in South Australia and thereby exacerbate current problems in within the state in relation to system strength. This dynamic needs to be accounted for in modelling, along with the costs of implementing alternative solutions to address the resultant further decline in synchronous capacity.

1.3. Time sequential despatch model

There is no mention in the MMAAR of generator specific considerations in relation to despatch flexibility, such as:

- technical constraints, including minimum generation, start-up and ramp rates
- participant behaviour (for example, the ability of merchant plant to secure offtake contracts may influence decisions as to plant operation and availability),

which require due consideration.

1.4. Network representation

No comment.

In general, how well do you think this Market Modelling Assumptions Report explains the way that ElectraNet will begin assessing the options outlined in the South Australian Energy Transformation Project Specification Consultation Report and those put forward during consultation processes?

Aside from specific comments above, SEA Gas' key concern is that the MMAAR doesn't adequately address how ElectraNet intends to evaluate potential non-network solutions and the option value they are likely to contribute. It appears the intention may be to call for information (such as that set out in section 4 of the PSCR) from proponents and use whatever input is received from that process to inform analysis. If so, SEA Gas considers this approach is manifestly inadequate.

Would you like to provide any other feedback about the Market Modelling Approach and Assumptions Report?

Not at this time.

ATTACHMENT 2

Introduction

ElectraNet has indicated that the purpose of the SIP is to supplement the PSCR in response to requests for more information at its 8 December 2016 public forum.

The SIP is dated 13 February 2017, over 9 weeks from the date of the public forum. Whilst ElectraNet has seen fit to extend the consultation period on the PSCR in light of issuing the SIP it has imposed a deadline for submissions of 27 February, providing interested parties with less than 2 weeks to respond.

SEA Gas notes that the RIT-T process requires a minimum 12-week consultation period for the first round of RIT-T consultations. Accordingly, SEA Gas considers the 2 weeks allowed for the SIP is grossly inadequate and fails to provide interested parties with sufficient opportunity to consider its contents and prepare submissions.

Given the limited time that has been made available to respond to the SIP, the comments below should not be considered exhaustive. SEA Gas reserves the right to provide further feedback in relation to matters identified within the SIP as the RIT-T process progresses.

General comments

SEA Gas welcomes ElectraNet's release of the SIP insofar as it partially addresses some of the concerns raised in Attachment 1 by providing certain information regarding the proposed process by which ElectraNet intends to assess potential non-network solutions. However, SEA Gas:

- considers that ElectraNet's proposed approach imposes numerous constraints on potential non-network solutions, which may unnecessarily and/or unreasonably limit alternatives
- is concerned that the proposed requirements for non-network solutions appear highly onerous and create an uneven playing field relative to criteria against which the interconnector options are to be assessed
- queries the validity of the proposed technical requirements in terms of necessity and/or reasonableness
- believes the suggested timeframes within which proponents of non-network solutions are expected to achieve particular outcomes are unrealistic and unreasonable.

In light of the above, SEA Gas is unable to reconcile the proposed approach described within the SIP with ElectraNet's statement that it is "committed to finding solutions that are in the best interests of customers".

SEA Gas suggests that the approach to assessing potential non-network solutions should be similar to the phased approach set out in the PSCR, whereby options should be screened and those with the greatest potential considered in more detail, including sufficient opportunity for interactive dialogue between the proponent, ElectraNet and others such as AEMO.

Specific Points:

The following table provides SEA Gas' comments on various matters raised within the SIP.

SIP Reference	Matter	Comment
Sections 2.3.2 and 2.4	Minimum System Target and Preferred System Target	The proposed Targets appear to be influenced to a large degree by ElectraNet's interpretation. For example: • AEMO's NTNDP (section 5.2.1) states that there "is a large percentage of time where it is unknown how the South Australian power system would respond to a non-credible separation event" and "the capability of the South Australian network to withstand different levels of RoCoF is currently being investigated". Accordingly, it is apparent that any targets established prior to completion of such investigation are somewhat arbitrary. • ElectraNet suggests that its Preferred System Target (including a targeted 1Hz/s RoCoF limit for a 900MW contingency) is based on coincident loss of generation and the Heywood interconnector and is a reasonable target to explore. SEA Gas believes that such coincident loss would be a non-credible event (or may otherwise be a protected event, should such a category be introduced) and, that being the case, the Preferred System Target is highly subjective.
Section 2.3.2 (System Strength)	Level of engagement with proponents of non-network solutions	In order to give due consideration to potential non-network solutions, SEA Gas believes it necessary (rather than optional) for ElectraNet to proactively engage with proponents on various matters, including optimal location.
Section 3.1	Proposed information requirements for non-network solution proposals	SEA Gas considers the requirements contemplated are unreasonable and unnecessarily restrictive, including: • imposing a minimum size by service category artificially limits alternatives and is therefore inconsistent with the RIT-T objectives and ElectraNet's statement that it is "committed to finding solutions that are in the best interests of customers" • requiring proponents to identify locations based on the information provided and in the time available is unlikely to yield maximum benefit from potential non-network solutions. SEA Gas suggests that the approach to assessing potential non-network solutions should be similar to the phased approach set out in the PSCR, whereby options should be screened and those with the greatest potential considered in more detail, including sufficient opportunity for interactive dialogue between the proponent, ElectraNet and others such as AEMO.
Section 3.2	Commercial information requirements	• SEA Gas considers that ElectraNet should publish its cost estimates for any connection assets required and the basis for the same. • The requirement for proponents of non-network solutions to make binding commitments before finalisation of the Project Assessment Draft Report (around mid-2017) is highly unrealistic and unreasonably disadvantages potential non-network solutions. • SEA Gas notes that ElectraNet plans to seek what appear to be very broad indemnities against any (as yet undefined) direct or indirect liabilities that may arise. Any such requirement must be justified on reasonable commercial grounds.

SIP Reference	Matter	Comment
Section 4.1.1	Meeting the Minimum Standard Requirement	• SEA Gas considers that the costs of addressing the current decline in system strength also need to be considered, both for non-network solutions and interconnector options. • To the extent that non-network solution providers are able to secure market revenues (from energy and market ancillary services), SEA Gas contends that the impact of those non-network solutions on forecast electricity prices should be taken into account, given the first limb of ElectraNet's identified need upon which the SAET RIT-T process is premised. Accordingly, SEA Gas disagrees with ElectraNet's suggestion that only the offer price for meeting the Minimum System Target should be considered in the assessment of non-network solutions.
Section 5.1.1	Implementation and expected performance of the non-network solution	• The appropriate test should be to ElectraNet's satisfaction, acting reasonably. • The tests listed include criteria that should equally be applied to interconnector options under consideration; for example, schedule risks (including the feasibility of land access and permitting timelines) need to be objectively assessed for all alternatives.