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To whom it may concern,

Victoria to New South Wales Interconnector West (VNI West) Project Assessment Draft Report

ENGIE Australia & New Zealand (ENGIE) appreciates the opportunity to respond to the Australian Energy Market Operator (Victorian Planning) and TransGrid (“the Proponents”) in response to the Victoria to New South Wales Interconnector West Project Assessment Draft Report (“the PADR”).

The ENGIE Group is a global energy operator in the businesses of electricity, natural gas and energy services. In Australia, ENGIE has interests in generation, renewable energy development, and energy services. ENGIE also owns Simply Energy which provides electricity and gas to more than 720,000 retail customer accounts across Victoria, South Australia, New South Wales, Queensland, and Western Australia.

Benefits

VNI west is likely to be an especially useful piece of transmission investment as it will both facilitate interregional transfer between NSW and Victoria and serve as the backbone of one or more Renewable Energy Zones (REZs) in a region with good quality solar and wind resources. The REZs are relatively close to major load centres (Melbourne/Sydney) compared to some other REZ options, and so are likely to be efficient options for major renewable development. As VNI West connects to EnergyConnect, it will also facilitate efficient power sharing with South Australia.

For example, the proposed South West NSW REZ will connect into the NEM at Dinawan substation, which is also where VNI West will meet EnergyConnect, the NSW-South Australia interconnector. NSW EnergyCo has received expressions of interest totalling 34GW of generation and storage. Even allowing for some of this figure to be speculative, ENGIE considers there is at least 10GW of credible wind development along the Energy Connect corridor. ENGIE’s own development of “The Plains” wind farm, a 1-2GW wind, solar and BESS development south of Hay, which began development in 2019 informs our strong understanding of the potential for the region, including its competitive wind resource, supportive community and low construction risk. While the REZ network infrastructure is only being designed to carry 2.5GW of peak capacity, there is clearly scope for further expansion.

On the Victorian side, VNI West will facilitate increased transfer capacity from two proposed REZs: Murray and Western Victoria. A third REZ, Central North Victoria is also in the vicinity.

While the total transfer capacity of VNI West is expected to be around 3GW, ENGIE considers that there could be demand for greater capacity in the future, and so the project should be designed with scope for further expansion in mind. To this end ENGIE supports the decision to increase the voltage of the Dinawan-Wagga Wagga portion of Energy Connect. ENGIE agrees with the comment in the PADR that this step-up is technically part of VNI West, and the market benefits it will deliver could reasonably be considered part of the market benefits for the purposes of the RIT-T for VNI West.

Further expansion could create compelling alternatives to more expensive renewable supply options, such as Marinus Link/Battery of the Nation (which will be expensive, simply due to this project entailing an underwater cable) and offshore wind development (which is currently much higher cost than onshore wind).

While it may be difficult, given the current rules around input assumptions and categories of market benefits to quantify the optionality that this project creates, sitting at the nexus of three NEM regions and at least three proposed REZs, ENGIE considers that it should be recognised as a qualitative benefit at the very least.

Costs

We recognise the work done by TransGrid and AEMO to better estimate the costs of VNI West, as compared to earlier RIT-T processes or the first ISP, which tended to significantly underestimate the costs. While there remains uncertainty as to the eventual cost level, we note that the current level of engineering specification typically means cost variations of +/-30% and that the project is still expected to deliver net benefits at the upper bound of this cost range.

We also note that TransGrid is attempting to “bundle” several major projects, including this one, into a single integrated program. TransGrid has advised that this could save up to \$500m¹ in environmental, resources and materials costs.

Equally importantly, this approach could bring forward completion date to 2028, from the current proposed date of 2031. This would accelerate the realisation of market benefits and would enable earlier connection of new renewables to the NEM.

Accordingly, ENGIE is supportive of TransGrid’s single program proposal, noting that two of the individual projects have already passed their RIT-T and this PADR indicates that the third, VNI West will also deliver net benefits.

Other options and sensitivities

ENGIE notes that the alternative option modelled produces lower net benefits. This option, with the development of a virtual transmission line (VTL) preceding the development of the physical transmission

¹ [TransGrid’s plan to streamline \\$8b grid build-out](#), AFR, 17 August 2022

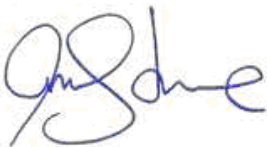
infrastructure, only delivers benefits for a few years and if the delivery of that infrastructure can be brought forward, as canvassed in the previous section, benefits would be even lower. Set against these short-term benefits, the proponents appear to have included the full capital cost of the batteries that will form the VTL. Given these batteries will continue to have a useful economic life after they cease to contribute to the specific benefits of VNI west, this seems an unduly conservative approach. ENGIE appreciates that this approach may be constrained by the rules of RIT-T processes, but nonetheless urges the proponents to further explore commercial options that could result in lower costs for the VTL (e.g., leasing them for a period from another party/parties who can then utilise them in the market after VNI west is completed) that might result in overall net benefits.

ENGIE also supports the decision to retain the modular power flow controllers as part of the main design. The modelled sensitivity that excludes them clearly demonstrates their value.

In summary, ENGIE considers that the proponents' analysis supports the development of the project. The modelled benefits are relatively conservative given the large volume of prospective renewable development in the region that will rely on VNI west to get to market. With this in mind, opportunities to accelerate the project should be given serious consideration.

Should you have any queries in relation to this submission please do not hesitate to contact on, telephone, 0477 299 827.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Jamie Lowe', is positioned below the closing text.

Jamie Lowe

Head of Regulation.

Compliance and Sustainability