TasNetworks
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13 March 2020

Audrey Zibelman
Chief Executive Officer
Australian Energy Market Operator
Level 22, 530 Collins Street
Melbourne VIC 3000

Via: VNIWestRITT@aemo.com.au

Dear Ms Zibelman,

RE: VICTORIA TO NEW SOUTH WALES INTERCONNECTOR WEST PROJECT SPECIFICATION CONSULTATION REPORT

TasNetworks welcomes the opportunity to make a submission to the Australian Energy Market Operator (**AEMO**) and TransGrid on the Victoria to New South Wales Interconnector West (**VNI West**) Project Specification Consultation Report (**PSCR**).

TasNetworks is the Transmission Network Service Provider (**TNSP**), Distribution Network Service Provider (**DNSP**) and Jurisdictional Planner (**JP**) in Tasmania. TasNetworks is also the proponent assessing the business case for Marinus Link, a new interconnector between Tasmania and Victoria. The focus in all of these roles is to deliver safe and reliable electricity network services to customers in Tasmania and the rest of the National Electricity Market (NEM) at the lowest sustainable prices.

This submission addresses the fourth question upon which AEMO and TransGrid are seeking feedback in the PSCR, namely

> "*What, if any, additional factors should AEMO and TransGrid consider to determine the preferred option for VNI West?*"

TasNetworks' key point in this submission is that AEMO and TransGrid should consider a range of timings for other interconnector projects when determining the net market benefit provided by VNI West. This comment particularly applies for those interconnector projects for which Regulatory Investment Tests for Transmission (**RIT-T**s) are not complete, namely Marinus Link and the medium or large Queensland-New South Wales Interconnector (**QNI**) upgrades.

As AEMO and TransGrid have acknowledged in the PSCR, Marinus Link is a proposed new interconnector between Victoria and Tasmania, for which TasNetworks published the Project Assessment Draft Report (**PADR**) in December 2019. When evaluating the net market benefit of

Marinus Link, a factor to be considered was the assumed timing of other interconnector projects. Because all interconnector projects have a common goal of delivering a net market benefit by enabling greater resource sharing between NEM regions, these interconnector projects cannot be considered in isolation. The timing of any one proposed interconnector will influence the net market benefit realised by others.

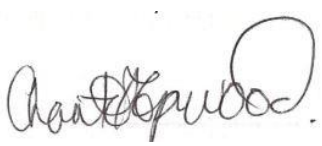
In our market benefits modelling for Marinus Link, TasNetworks paid particular attention to the timing of VNI West (then known as KerangLink). We examined a range of different timing options for both Marinus Link and KerangLink, and found that the two projects are mutually beneficial. That is, the net market benefits of both projects proceeding at their optimal timing would exceed the benefits of one project proceeding at its optimal timing, but the other not proceeding (or being commissioned at a sub-optimal time). In order to determine net market benefit and optimal timing of Marinus Link, we assumed that KerangLink would also be commissioned in the year in which its timing was economically optimal. This timing varied between scenarios, as indicated in Table 6 of the Marinus Link PADR[1].

In undertaking the modelling of the net market benefit for VNI West, TasNetworks encourages AEMO and TransGrid to consider in detail a range of timing options for both Marinus Link and the QNI upgrade options. Given that neither Marinus Link nor the medium or large QNI upgrades have successfully completed their RIT-Ts at this point, the optimal timing of both projects – which would be expected to vary across scenarios – should be assumed in the first instance. The impact of delays in either or both projects should also be considered as sensitivity cases. TasNetworks acknowledges that determining the co-optimised timing of multiple interconnector projects is a challenging modelling task, however cost of this incremental modelling effort is dwarfed by the cost of investments under consideration.

Whilst this is not discussed in detail in the Marinus Link PADR, TasNetworks and our modelling service provider, Ernst & Young, also examined the underlying time-sequential modelling results in order to understand the reason for mutual benefit between Marinus Link and VNI West. We would be pleased to discuss these results with AEMO and TransGrid if this is of interest. We also welcome your insights regarding the synergistic benefits of Marinus Link and Kerang Link by reviewing the hourly time-sequential simulation results for the preferred Marinus Link option and the accompanying interconnector flows across the NEM. This data is available for download from our website.

TasNetworks would welcome the opportunity to discuss this submission further with you. Should you have any questions, please contact Prateek Beri, Economic Team Leader, Technical and Economics Project Marinus via email (prateek.beri@tasnetworks.com.au) or by phone on (03) 6271 6509.

Yours sincerely,



Chantal Hopwood

Leader Regulation

[1] TasNetworks, *Project Marinus RIT-T Project Assessment Draft Report*, December 2019, p. 65