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Submission to Consultation on Draft 2021 Inputs, Assumptions and Scenarios Report

Dear Elijah,

AusNet Services welcomes the opportunity to make this submission on AEMO's Draft 2021 Inputs, Assumptions and Scenarios Report (IASR). AusNet Services appreciates the effort that AEMO has put into engaging with stakeholders to formulate the scenarios and consult on the inputs and assumptions that will form the basis for AEMO's forecasting and planning publications, including the 2022 ISP.

AusNet Services acknowledges the complexity and pace of change that AEMO is managing across the wide range of inputs and assumptions to this process. Our review concludes that most of the key forecasting inputs and assumptions are reasonable. We would like to draw attention to the following topics where changes, or additional detail, would add to the understanding of plausible outcomes and improve the quality of forecasts:

- Incorporation of Victorian Government Policy,
- Modelling of forced outages for all interconnectors, and
- VCR and MLF assumptions.

Further detail on these points is included in the attachment to this letter.

We would be pleased to meet to discuss our comments and provide further assistance. If we can assist in this way, please contact Melanie Tan - Manager Transmission Network Planning.

Sincerely,

Rod Jones
General Manager – Network Strategy & Planning
AusNet Services

Attachment: Inputs required to finalise the IASR

Incorporating Victorian energy policy

VRET beyond 2030

The Draft IASR incorporates the legislated Victorian Renewable Energy Target (VRET) of 50% by 2030, and interim targets of 25% by 2020, and 40% by 2025. However, beyond 2030, where targets are yet to be set, the IASR holds the VRET to 50%. While there is some uncertainty over the trajectory of the VRET beyond 2030, maintaining a flat 50% target is inconsistent with the overarching legislation (Victoria's Climate Change Act), which establishes a long-term target of net-zero emissions by 2050.

Victoria's Climate Change Act 2017 requires five-yearly interim emissions reduction targets and the VRET is a key mechanism for achieving those emissions reductions. Hence, further targets are most likely to be added to VRET over the planning period. Consequently, the Draft IASR assumptions are likely to understate the pace of change in electricity generation which could have material consequences for transmission requirements and systems planning.

The IASR scenarios could be used to reflect the uncertainty over the specific trajectory for VRET beyond 2030, that are consistent with net-zero emissions for Victoria by 2050. The Slow Change scenario could consider a policy change that would change the parliamentary Act, either removing targets, or setting lower targets.

Modelling of transmission availability

The table *'Transmission outage rates'* in the 2021 Inputs and Assumptions Workbook represents the reliability rates of the three major flow paths in the NEM (Dederang - South Morang, Heywood interconnector, and Basslink). This is a welcomed development however it should be extended to include all other major interconnectors in the NEM, such as Queensland-NSW Interconnector (QNI), Murraylink, Directlink, and all other transmission elements making up the Vic-NSW interconnector.

Other assumptions

Value of Customer Reliability (VCR)

The VCR values published in the 2021 Inputs and Assumptions Workbook do not seem to reflect the appropriate figures for valuing unserved energy. While they pertain to the value of reliability for specific customers, the quantity of unserved energy, as forecasted by AEMO's planning processes, are not allocated to any specific type of customers. Therefore, AusNet Services proposes that the NEM region-wide customer-weighted VCRs are the appropriate figures to use. The table below from the Australian Energy Regulator's report on the Value of Customer Reliability[1] shows these figures:

[1] Australian Energy Regulator, 'Values of customer reliability,' available at https://www.aer.gov.au/networks-pipelines/guidelines-schemes-models-reviews/values-of-customer-reliability, viewed on 29 January 2021.

Table 5.22 - NEM and State VCR values and comparison to AEMO 2014 results

NEM region	AER 2019 VCR ($/kWh) ($2019)	AEMO 2014 ($/kWh) (Nominal)	AEMO 2014 ($/kWh) (real $2019)
NSW+ACT[95]	42.12	34.15	36.78
VIC	41.21	32.62	35.13
QLD	40.03	34.91	37.60
SA	43.23	34.06	36.68
TAS	32.16	25.62	27.59
NEM	40.99	33.46	36.03

Marginal Loss Factors (MLF) – Snowy 2.0

AusNet Services notes that there might have been an error on the assumption that Snowy2 will have a marginal loss factor equal to 1 in the 2021 Inputs and Assumptions Workbook.

Snowy2 will be located in the Southern NSW – far from the NSW regional reference node (Sydney West substation), its power injection or withdrawal will have an impact on the transmission losses, therefore, a marginal loss factor of 1 is inappropriate.