



Australian Energy Market Operator
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31 May 2023

To whom it may concern,

2023 Transmission Expansion Options Report Consultation

ENGIE Australia & New Zealand (ENGIE) appreciates the opportunity to respond to the Australian Energy Market Operator (AEMO) in response to the 2023 Transmission Expansion Options Report Consultation (“the Consultation”).

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 retail customers across Victoria, South Australia, New South Wales, Queensland, and Western Australia.

ENGIE supports AEMO in exploring broader options for transmission projects identified through the Integrated System Plan (ISP) process and for canvassing stakeholder views to inform the development of the most prospective options for projects. This iterative approach should support the most appropriate development path for the transmission system in the context of actual generation and storage development plans, in contrast to the ISP alone, which is based on modelled assumptions on where and what mix of new developments will occur. It allows for resizing ISP projects if there is a materially different level of generation/storage under development in a particular area of the grid than that assumed in the ISP.

The Consultation also allows AEMO to update its cost and risk assessment based on the latest understanding of issues relevant to affected communities and for announced jurisdictional landholder payments that seek to help to address community concerns. Inevitably, this is increasing cost estimates compared to previous calculations. At the margins, this may lead to some projects failing to meet the regulatory investment test (RIT-t). This indicates that there could be value in AEMO or TNSPs market-testing with generation and storage proponents whether there are alternative market-led routes to develop some projects. This will assist in reassuring customers that the necessary transmission investment represents value-for-money.

Based on its current development plans, ENGIE has particular interest in options related to VNI West and the New South Wales Southwest Renewable Energy Zone (NSW SWREZ) and offers further detailed comments on these two ISP projects.

New South Wales Southwest Renewable Energy Zone (project N5)

The NSW SWREZ represents an area of high quality solar and wind resource that has the potential to serve either of the largest load centres in the NEM – Sydney and Melbourne. Unlike some of the other potential REZ areas that lie broadly between these two load centres, this REZ has been declared by the NSW Government and the Expressions of Interest (EOI) has substantiated the high volume of projects under development. In its EOI round in late 2021, the NSW Government received 49 registrations of interest, representing 34 gigawatts, from potential generation and storage projects. ENGIE is among the proponents that participated in this process.

ENGIE considers that a combination of augmentation Options 1 and 4 (noting that Option 4 is predicated on Option 1 also going ahead) would allow for the development of significant levels of additional renewable generation in the NSW SWREZ. The estimated cost per MW of additional resource is favourable compared to many of the other options canvassed for other projects in the Consultation. Option 4 in particular allows for the creation of a significant additional hub within this REZ. If the environmental offset risks associated with Option 4 can be effectively mitigated it would prove even better value for money, noting the potential risks may not eventuate as it is design dependent.

ENGIE considers that with a range of developments under consideration in and around The Plains, Option 4 is a strong candidate for a market led augmentation. Market participants, if engaged, will be able to facilitate this development which will benefit consumers and speed up the energy transition. This would obviate the need for a RIT-t and be an effective means to drive risk mitigation. In this respect, Option 4 is a “no regrets” addition to Option 1, which in turn is a highly attractive augmentation option in its own right.

Option 3 is of also of interest, as it has a similar cost/resource unlocked but is unlikely to be able to proceed and allow for the connection of new resources with same speed as Option 4 and therefore should not be favoured at this time. Accordingly, Option 3 should be considered as part of any possible future development stages in the region.

ENGIE observes that there may be other augmentation options in other REZs that may similarly be suitable candidates for a market-led augmentation and urges AEMO to solicit interest from developers accordingly.

VNI West

ENGIE has participated in AEMO and TransGrid’s consultation on the RIT-t for this actionable ISP project linking Victoria with Southern NSW. We welcome the proponents’ efforts to progress this project and consider it could be developed in an even more valuable way than under the single Option contemplated in the Consultation.

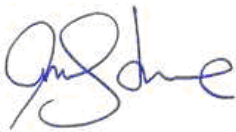
In light of recent progress in VNI West route design, ENGIE will not state its previous points. Instead, we would suggest that the northern section of VNI West be as closely aligned with PEC as is possible so as to

provide a genuine connection alternative within the SWREZ. This will be especially important for projects west of Dinawan and will maximise the value of this NSW project both within NSW and in Victoria.

ENGIE thinking in this matter is twofold. First, as described above the project should maximise connections opportunities. Second, the Consultation is taking place in a broader context of transmission projects having to pay closer attention to community interests than in the past. Local concerns about a project have the potential to add significant delays and cost. ENGIE considers that this represents a strong signal that transmission proponents will be highly constrained in their options for greenfield routes. Accordingly, projects to strengthen and expand the grid will increasingly need to utilise existing easements where non-economic criteria have already been considered and resolved.

Should you have any queries in relation to this submission please do not hesitate to contact me 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