Victoria to New South Wales Interconnector West (VNI West) RIT-T

Project Specification Consultation Report

AEMO Consumer Forum – 27 February 2020

What's the Regulatory Investment Test for Transmission (RIT-T) process?

The RIT-T process as defined in the National Electricity Rules is a cost-benefit test applied to new transmission infrastructure with a cost >$6m and requires network infrastructure planners to publish three reports for consultation.

- The first report, the Project Specification Consultation Report (PSCR) - seeks feedback on the identified need and options.
- The second report, the Project Assessment Draft Report (PADR) - identifies and seeks feedback on the preferred investment option.
- The third report, the Project Assessment Conclusions Report (PACR) - presents the final recommended solution and intended course of action.

The recommended solution will be required to:

- address the identified need; and
- maximise net economic benefits to all those who produce, consume and transport electricity in the National Electricity Market.

Why are AEMO and TransGrid conducting this RIT-T?

- AEMO and TransGrid are the respective transmission planning bodies for Victoria and New South Wales (NSW) and are responsible for planning transmission network augmentations for these jurisdictions.
- To increase the transfer capacity between Victoria and NSW, new transmission infrastructure will be required from Melbourne to the Snowy area in NSW.
- Victoria to NSW Interconnector (VNI) limitations are expected to impact long term electricity prices due to increasing the cost of generation dispatch, the cost of future investment in generation capacity and reliability costs.
- AEMO and TransGrid are jointly undertaking a Regulatory Investment Test for Transmission (RIT-T) to assess the longer term need to strengthen interconnection between Victoria and NSW.
- This RIT-T will assess the technical and economic feasibility of relieving VNI limitations in the long-term interest of Australian energy consumers.

What's the identified need for this RIT-T?

The identified need is for additional transfer capacity between New South Wales and Victoria, and to realise net market benefits by:

- Efficiently maintaining supply reliability in Victoria following the closure of further coal-fired generation and the decline in ageing generator reliability – including mitigation of the risk that existing plant closes earlier than expected.
- Facilitating efficient development and dispatch of generation in areas with high quality renewable resources in Victoria and southern NSW through improved network capacity and access to demand centres.
- Enabling more efficient sharing of resources between NEM regions.

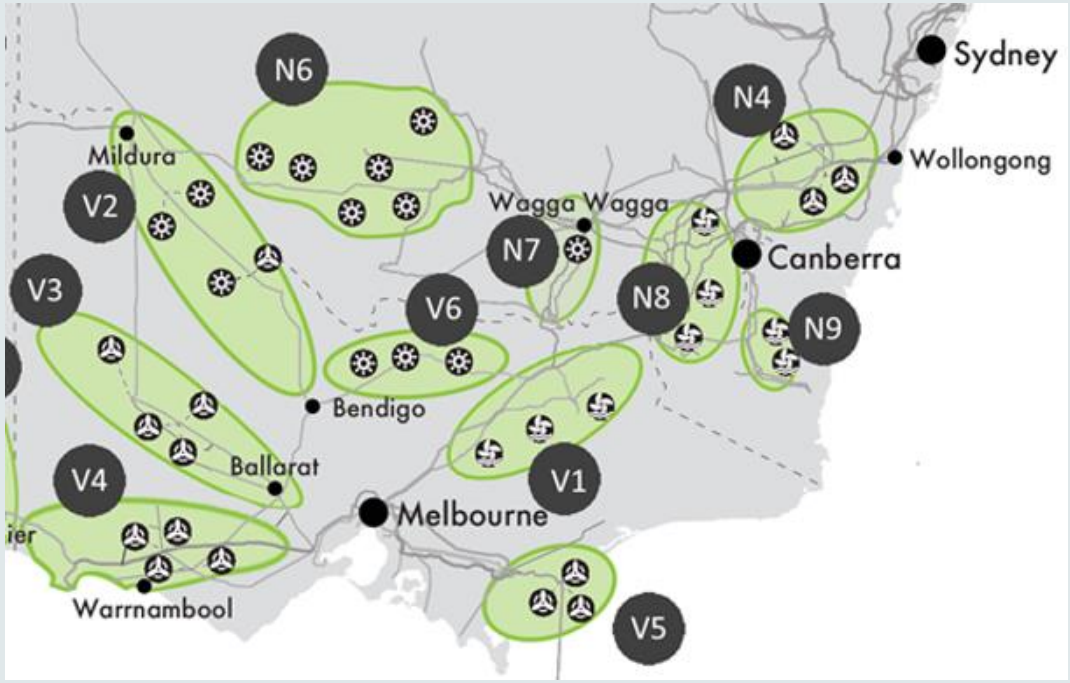
The VNI West RIT-T and the ISP related findings

- AEMO's 2018 Integrated System Plan (ISP): both short-term and longer-term VIC-NSW interconnection increases are required to enable more efficient sharing of supplies between the states.
  - Short-term: VNI Upgrade RIT-T will increase transfer capacity from Victoria to NSW. This RIT-T is in the final stages of completion.
  - Longer term: VNI West will strengthen two-way transfer capacity to enable improved sharing of resources and facilitate efficient connection of generation.
- Draft 2020 ISP reconfirmed this need and designated both projects as 'Group 1' priority projects requiring urgent investment to maximise benefits.
  - Modelling indicates optimal timing for delivery by 2026-27, no later than 2028-29.
  - Two potential options proposed, via Kerang and via Shepparton.
- 2019 ISP Insights: increasing transfer capability between the Snowy area and Melbourne would maximise the benefits of Snowy 2.0, and mitigate risk of diminishing plant reliability, or early plant closures.

Renewable development

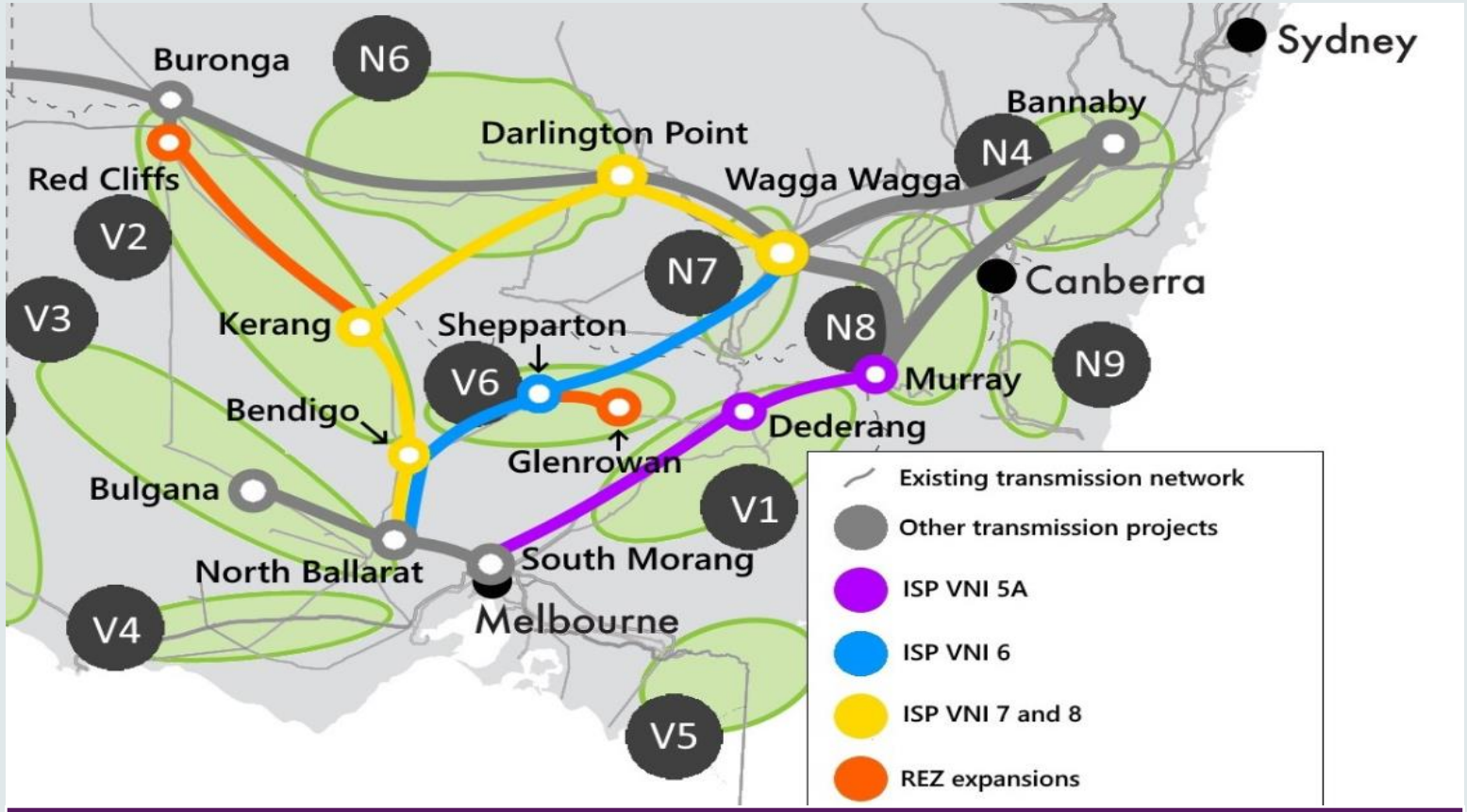
- The ISP identified potential Renewable Energy Zones (REZs) where high quality renewable resources exist in the vicinity of existing transmission network.

- These present the opportunity to reinforce the existing network and drive investment in optimal locations.



- A large increase in the shared capacity between Victoria and New South Wales is expected to deliver benefits by:
  - unlocking new low-cost renewable generation projects in key REZs
  - providing better access to pumped hydro storage, and
  - providing solid supplies for growing levels of intermittent renewable generation.

Proposed credible options



Augmentation to existing VNI corridor	
'VNI 5A	New 330 kV lines from South Morang – Dederang – Murray
Augmentation on new corridors (Via Bendigo or Shepparton)	
VNI 6	New 500 kV lines from North Ballarat – Bendigo* – Shepparton – Wagga
Augmentation on new corridors (Via Kerang)	
VNI 7	New 500 kV lines from North Ballarat – Bendigo – Kerang – Darlington Point – Wagga
VNI 8	New 330 kV lines from North Ballarat – Kerang – Darlington Point - Wagga
Potential expansions to accommodate renewable energy zones (REZs)	
Expansion A	New lines to unlock Kerang – Red Cliffs
Expansion B	New lines to unlock from Shepparton – Glenrowan

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What's next?

1) Project Specification Consultation Report (PSCR): Published Dec 2019.
   - Currently accepting submissions on the need and proposed options
   - Submissions close 13 March 2020.
   - Submissions can be sent to VNIWestRITT@aemo.com.au
2) Project Assessment Draft Report (PADR): Q4 2020
   - ➢ Consultation on option assessment, identified market benefits and identified preferred option (the most economically feasible option that meets identified need).
3) Project Assessment Conclusions Report (PACR): 2021
   - ➢ Presents conclusions following extensive consultation and modelling, after which the RIT-T undergoes a dispute period, and NSW components undergo AER RIT-T processes.

This indicative timeline is based on the **current regulatory arrangements**.

More information

All project specific information is available at: https://www.aemo.com.au/initiatives/major-programs/victoria-to-new-south-wales-interconnector-west-regulatory-investment-test-for-transmission

For any further queries please contact: VNIWestRITT@aemo.com.au or call our toll-free hotline on 1800 845 044.

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