

Managing expected demand in the Panorama area

Notice of RIT-T Cancellation

Region: Central West New South Wales

Date of issue: 1 August 2023

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Notice of RIT-T Cancellation

This notice is to inform stakeholders that we will not proceed with the Managing Expected Demand in the Panorama area RIT-T, consistent with Section 4.5.1 of the AER's RIT-T Application Guidelines.¹

Project Specification Consultation Report

In December 2022 we published a [Project Specification Consultation Report](#) (PSCR) as the first step in the application of the Regulatory Investment Test for Transmission (RIT-T) to options for addressing constraints on the transmission and distribution networks in the Panorama region of New South Wales.

The constraints are expected to arise from the connection of a new spot load (McPhillamys Gold Mine) to Essential Energy's distribution network, and recent increases in the demand expected from this load. While the mine will be connected to the distribution network, the supply to the distribution network will be drawn from our nearby upstream Panorama bulk supply point (BSP).

The PSCR concluded that the draft preferred option was establishing a new three circuit-breaker switching station on 132kV Line 948 to meet the identified need.

We invited submissions on the PSCR during a 12-week period which followed publication. No submissions were received in response to the PSCR.

Background

The Central West transmission subsystem consists of 132kV interconnection between Mt Piper and Wellington. The subsystem connects a number of Bulk Supply Points (BSPs) and several solar and wind generators in a meshed arrangement. The interconnection between the Wallerawang and Orange North substations is operated through the 132kV transmission lines 94X and 948 via the Panorama 132/66kV substation. At Panorama there is a 66kV BSP to Essential Energy's distribution network, whilst at Orange North there are both 132kV and 66kV BSPs to Essential Energy's distribution network.

In March 2022, Essential Energy notified us that McPhillamy's Gold Mine had submitted an application to connect to its distribution network. While the mine will be connected to Essential Energy's network, the mine will draw load from our upstream Panorama 132kV substation.

The mine is currently planning to connect to the existing electricity network through Essential Energy's distribution network and is expected to significantly increase demand at our Panorama substation from 2024 onwards, with load expected to grow from 25 MVA in 2024 to 35 MVA by 2029. This load increase will cause voltage compliance issues if connected at 66kV at our existing Panorama substation and require upgrades within Essential Energy's network.

Under Clause 5.14.1(d)(1) of the National Electricity Rules (NER), we are required to perform joint planning with the relevant distribution network service provider to manage demand and provide prescribed transmission services. In particular, the relevant transmission and distribution network service providers must "assess the adequacy of existing transmission and distribution networks and the assets associated with transmission-distribution connection points over the next five years and [...] undertake joint planning of projects which relate to both networks". As per Clause 5.14.1(d)(2), this requirement includes the

¹ AER, Regulatory Investment Test for Transmission – Application Guidelines, August 2020

identification of any limitations or constraints that affect the networks of both transmission and distribution network service providers.

The identified need is to ensure adequate supply to Essential Energy's distribution network from the transmission network, to address constraints arising from the connection of McPhillamys Gold Mine.

Developments since the PSCR

In our [2023 Revised Revenue Proposal](#),² we detailed our proposal for \$15.8 million in augmentation capital expenditure to address the identified need, consistent with the preferred option identified in the PSCR.

In April 2023, the AER released its final revenue determination, which stated:

*We have not included this project in our substitute estimate of total capex, as the proposed works are not a prescribed transmission service and are therefore not part of regulated revenue recovered from the broader customer base through transmission use of system (TUOS) charges. The costs for this investment should be recovered directly from the connecting customer as either negotiated or nonregulated transmission services.*³

RIT-T Cancellation

In light of the AER's view that this investment should be progressed as a connection service rather than as a prescribed service, we will not be progressing this need as a prescribed service and will therefore not be continuing with this RIT-T. Any future needs will be reviewed on an annual basis as part of the Transmission Annual Planning Report (TAPR).

Further information can be obtained by contacting our Regulation team via regulatory.consultation@transgrid.com.au.⁴

² Transgrid 2023-28 Revised Revenue Proposal, December 2022, p 105

³ AER Final decision Transgrid transmission determination, April 2023, 1 July 2023 to 30 June 2028, Attachment 5 – Capital expenditure, p 30

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