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Friday, 2 August 2024

Ms Carmel Donnelly PSM
Chair
Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop, Sydney NSW 1240

Lodged online - <https://www.ipart.nsw.gov.au>

Dear Ms Donnelly

ACEREZ Partnership licence – Draft Report

Transgrid welcomes the opportunity to respond to the Independent Pricing and Regulatory Tribunal's (**IPART**) ACEREZ Partnership licence Draft Report. The Draft Report sets out IPART's draft recommendation that ACEREZ Partnership (**ACEREZ**) be granted a transmission operator's licence and IPART's draft recommended licence conditions, if the Minister for Energy grants the licence.

As the NSW jurisdictional planner and primary Transmission Network Service Provider (**TNSP**), Transgrid is responsible for, planning, building, maintaining and operating the backbone transmission network in NSW while meeting our obligations to maintain the safety, reliability and security of the transmission system in accordance with the National Electricity Rules (**NER**). Transgrid is also obliged to ensure the NSW power system is developed at the lowest cost possible while maintaining system security and reliability. This includes providing sufficient capability in the system to allow components to be maintained in accordance with efficient asset management strategies and reducing system energy losses where it is economic to do so.

Transgrid's network is the backbone of the NEM, supporting the competitive wholesale electricity market and connecting generators and end users. This facilitates the wholesale electricity market as well as maintaining reliable supply to consumers. Any new transmission licence granted to a new transmission operator would need to have conditions that do not adversely impact system security and has appropriate reliability metrics and targets.

We are broadly supportive of IPART's Draft Report. This includes:

- Establishing comprehensive licence conditions that are broadly consistent with those that apply for other network operators in NSW. Consistent standards across the state are essential for maintaining safe, secure and reliable electricity supply for all customers, regardless of their network operators.
- Recognising the critical role that Central-West Orana Renewable Energy Zone (**CWO REZ**) will play in NSW's energy future, with commensurate licence conditions for ACEREZ.
- Setting a reporting and auditing framework within the licence conditions that facilitate efficient monitoring and enforcement of compliance upon energisation.

However, there are a few points in the Draft report which warrant further clarity, and we would encourage IPART to address. These are listed below.

Reliability and performance standards

IPART has made a draft decision to set the reliability target of 99.75% for ACERZ.

Transgrid encourages IPART to consider whether a reliability target of 99.75% is sufficient given it relates only to energy curtailment through unplanned outages which are primarily caused by the network operator and the high level of redundancy built into the REZ Network Infrastructure.

Transgrid believe that all outage types and causes should factor into the reliability target calculation given that:

- ACERZ is required under their Electricity Network Safety Management System to plan for normal, foreseeable abnormal and emergency operating conditions.
- Long duration planned outages will not factor into the calculation however may be indicative of significant issues which may go on to impact safety or reliability.
- Outages where the network operator is not the primary cause require prompt emergency or incident response.

This is appropriate given the licence condition only imposes investigation and reporting obligations if the target is not met.

As such, we recommend ACERZ's reliability target to be set at a minimum of 99.998% in line with NEM requirements.

Commencement of these licence conditions

IPART has proposed to introduce draft licence conditions in a way that is aligned to the expected construction and energisation timelines of the CWO REZ Transmission System.

Transgrid is supportive of IPART's transitional arrangements for licence conditions, however Transgrid encourages that the requirement to implement and maintain management systems should apply from commencement of the licence rather than first energisation. Management systems include Asset Management System (**AMS**), Environmental Management System (**EMS**) and Electricity Network Safety Management System (**ENSMS**). These management systems are intended to apply across the entire asset lifecycle and are essential to the ongoing safe, reliable and secure operation of the infrastructure.

Application of the conditions is consistent with the requirements of *the Electricity Supply (Safety and Network Management) Regulation 2014* that requires that "A network operator must take all reasonable steps to ensure that the design, construction, commissioning, operation and decommissioning of its network (or any part of its network) is safe". This requires that ENSMS requirements must be considered prior to energisation including in the design phase.

To be consistent with licence obligations, the AMS and EMS should apply:

- From the licence grant date and,
- throughout the duration of the licence.

Transgrid believes having management systems from licence commencement is important in meeting the objectives of the *Electricity Supply Act 1995*. These obligations apply to existing network service providers in the planning, design and construction phase of infrastructure. If these obligations are not in place for ACEREZ, it may result in critical gaps that emerge in the operations phase which impact on or have the potential to impact on safe, reliable and secure operation of the infrastructure.

NSW Code of Practice for authorised network operators

IPART has outlined that if ACEREZ is licensed, it will be an 'electricity supply authority' for the purposes of the *State Environmental Planning Policy (Transport and Infrastructure) 2021*.

Transgrid encourages IPART to consider how the Department of Planning, Housing and Infrastructure will consider this matter as it is not appropriate for ACEREZ to have access to "without consent" powers when they are not an Authorised Network Operator.

Closing

We appreciate the opportunity to provide a submission to the Draft Report. If you would like to discuss this submission, please feel free to contact Zainab Dirani at zainab.dirani@transgrid.com.au.

Yours faithfully



Lance Wee

Acting Executive General Manager Network