



NEW FORECASTS DEFER THE NEED TO INCREASE TRANSFER CAPACITY

The need to acquire a non-network service to increase the energy transfer capability between New South Wales and Victoria has been deferred as a result of updated demand projections which show a forecast drop in electricity use.

Background

AEMO's 2010 and 2011 National Transmission Network Development Plan (NTNDP) identified an ongoing need for a network loading ancillary service (NLCS) requirement once a contract with a large industrial business expired on 30 June 2012.

This contract, together with the Victorian System Overload Control Scheme (SOCS) was used to provide higher power transfers between the two states, during times of low reserve conditions in Victoria.

The NTNDP identified a requirement of approximately 260 MW to increase power transfers from New South Wales to Victoria over the Murray–Dederang 330 kV line by approximately 300 MVA.

AEMO undertook a Regulatory Investment Test for Transmission (RIT-T) to assess market benefits for increasing power transfer capability from New South Wales to Victoria from the summer of 2012–13 onwards.

The assessment showed an increase in thermal capability of the Murray–Dederang 330 kV lines could lead to gross market benefits with a present value of \$17.4 million over the period from 2012–13 to 2017–18, but benefits could only be seen over the summer months. The benefits of this upgrade are closely linked to the forecast low reserve conditions in Victoria.

The RIT-T recommended the implementation of a non-network service providing support equivalent to the previous contract by November 2012 for a period of up to six years at a cost less than the total market benefits.

What has changed?

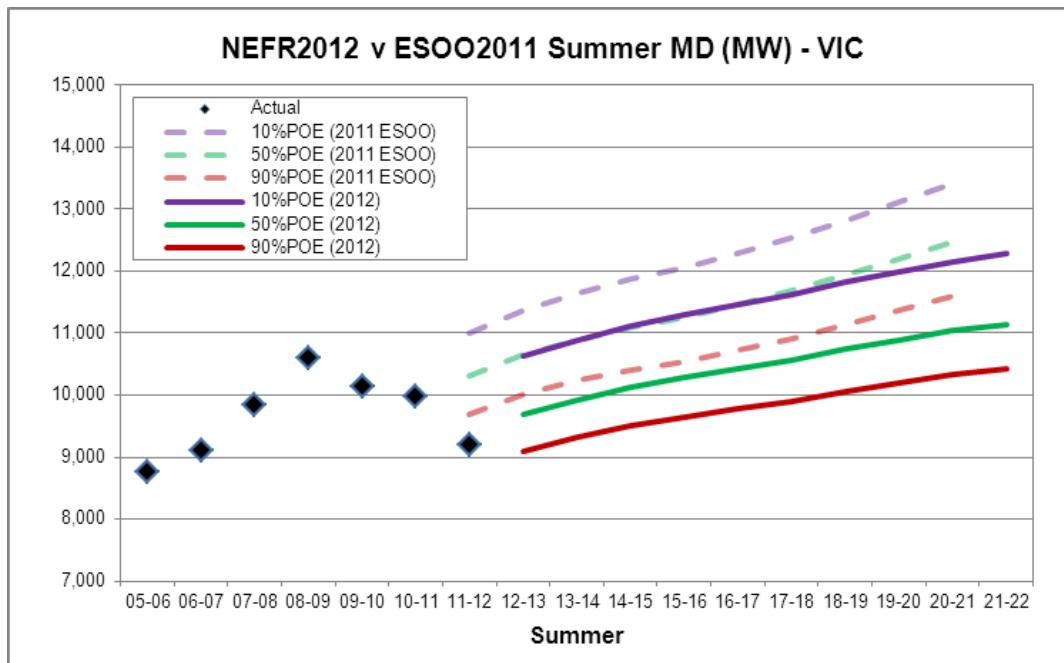
Updated demand projections outlined in the National Electricity Forecasting Report (NEFR) published on 29 June 2012 forecast significantly lower maximum demand across the national electricity market (NEM) when compared to previous forecasts.

In Victoria, the forecast 10 per cent probability of exceeding forecast maximum demand (10% POE) for the summer 2012–13 is 10,624 MW, a seven per cent reduction from what was forecast in the 2011 Electricity Statement of Opportunities.



The timing of a predicted shortfall in Victorian reserves, known as a low reserve condition (LRC) has been pushed out to 2018–19, compared to 2015–16 forecast in the 2011 ESOO Update published in March this year. The RIT-T was modelled on the ESOO Update forecasts.

Although similar modelling for the RIT-T has not been undertaken using the 2012 forecasts, the ESOO supply-demand calculator indicates the NEFR forecast points to a deficit in 2018–19.



Outcome

In the years 2012–13 to 2014–15 the estimated gross market benefits from a service similar to the previous contract are not considered sufficient to warrant a new contract.

AEMO will no longer procure a service for the coming summer (2012–13) and any future needs will be reviewed on an annual basis as part of the Victorian Annual Planning Report (VAPR).

For further information see: <http://www.aemo.com.au/en/Electricity/Forecasting/2012-National-Electricity-Forecasting-Report> and <http://www.aemo.com.au/en/Electricity/Planning/Regulatory-Investment-Tests-for-Transmission-RITTs> or contact us at planning@aemo.com.au