Integrated System Plan Feedback Loop Notice – VNI Minor

24 November 2020

AEMO publishes this notice pursuant to its function under section 5.16A.5(b) of the National Electricity Rules (NER).

Context

AEMO's Integrated System Plan (ISP) establishes a whole-of-system plan for the efficient development of the power system. In July 2020, AEMO published the 2020 ISP[1], which used quantitative assessment and scenario analysis to identify an optimal development path. The optimal development path contains a series of power system investments, some of which are classified as "actionable ISP projects". The ISP triggers a regulatory approval process for projects with this classification.

While the 2020 ISP sets out a whole-of-system plan, Transmission Network Service Providers (TNSPs) are required to assess the actionable components of this plan through the Regulatory Investment Test for Transmission[2] (RIT-T). Following completion of the RIT-T, a TNSP may seek written confirmation from AEMO to confirm that the preferred option from the RIT-T remains aligned with the optimal development path in the most recent ISP. This process is referred to as the "feedback loop".

The VNI Minor project

The VNI Minor project is a minor upgrade to the existing Victoria – New South Wales interconnector. This project was recommended in the 2018 ISP and identified as an actionable ISP project in the 2020 ISP. In February 2020, AEMO and TransGrid jointly completed a RIT-T to assess the technical and economic viability of this project to alleviate power transfer capacity limitations between Victoria and New South Wales[3]. The RIT-T estimated a gross market benefit for the project of $355 million. Following the completion of this RIT-T, the cost for the project has been updated to be $140 million[4] (2019-20 real dollars).

Feedback loop assessment requirements

On 26 October 2020, TransGrid sought written confirmation from AEMO that the VNI Minor project satisfies the requirements under the feedback loop. In conducting the assessment for the purposes of the feedback loop, AEMO is required to confirm that:

- the preferred option identified in the RIT-T addresses the relevant identified need specified in the most recent ISP and aligns with the optimal development path referred to in the most recent ISP; and
- the cost of the preferred option does not change the status of the actionable ISP project as part of the optimal development path as updated in accordance with clause 5.22.15 of the NER where applicable.

Notice of AEMO confirmation that feedback loop requirements are satisfied

AEMO has applied the feedback loop assessment to the VNI Minor project using the latest available cost information ($140 million (2019-20 real dollars)) and publishes this notice of its written confirmation to TransGrid that the VNI Minor project meets the identified need[5] and aligns with the optimal development path specified in the 2020 ISP.

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[1] AEMO. *2020 Integrated System Plan*, available at https://aemo.com.au/en/energy-systems/major-publications/integrated-system-plan-isp/2020-integrated-system-plan-isp.

[2] The RIT-T process is a regulatory mechanism that applies an economic cost-benefit test on new transmission electricity infrastructure proposed for the National Electricity Market (NEM). It is designed to identify the most economically efficient infrastructure investment option, so the investment meets the long-term needs of consumers.

[3] AEMO and TransGrid. *Victoria to New South Wales interconnector upgrade regulatory investment test for transmission*, available at https://aemo.com.au/en/initiatives/major-programs/victoria-to-new-south-wales-interconnector-upgrade-regulatory-investment-test-for-transmission.

[4] This total project cost includes $47.0 million (real 2017-18) for delivering the NSW component.

[5] The identified need for VNI Minor, as stated in the 2020 ISP, is "To realise net market benefits by increasing the power transfer capability from Victoria to New South Wales".