



TransGrid

## Summary: Maintaining compliance with performance standards applicable to Deniliquin substation secondary systems

RIT-T Project Assessment Conclusions Report

Region: Southern

Date of issue: 4 May 2020

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# Summary

TransGrid is applying the Regulatory Investment Test for Transmission (RIT-T) to options for maintaining reliable secondary systems at Deniliquin substation. Publication of this Project Assessment Conclusions Report (PACR) represents the final step in the RIT-T process.

Deniliquin substation will continue to play a central role in supporting the flow of energy to the Riverina region of New South Wales. It forms part of the wider South Western NSW network which supports renewable energy zone development.

TransGrid has identified the secondary systems at Deniliquin substation have reached a condition that reflects the end of serviceable life. As it is superseded by new technology at the manufacturer level and the existing technology becomes obsolete, spare parts become scarce and the ability of any primary asset connected to the substation to reliably operate will be at risk.

## Identified need: meet the service level required under the National Electricity Rules for protection schemes

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Secondary systems are used to control, monitor, protect and secure communication to facilitate safe and reliable network operation.<sup>1</sup> They are necessary to operate the transmission network and prevent damage to primary assets when adverse events occur.

Provision of redundant protection schemes to ensure the transmission system is adequately protected is a Network Performance Requirement under Schedule 5.1 of the National Electricity Rules (NER), therefore the condition issues affecting the secondary systems at Deniliquin substation must be addressed.

The Network Performance Requirements, set out in Schedule 5.1 of the NER, place an obligation on Transmission Network Service Providers (TNSPs) to provide redundant protection schemes to ensure the transmission system is adequately protected. Schedule 5.1.9(c) of the NER requires a TNSP to provide sufficient primary and back-up protection systems, including any communications facilities and breaker fail protection systems, to ensure that a fault of any type anywhere on its transmission system is automatically disconnected.

Additionally, TNSPs are required to disconnect the unprotected primary systems where secondary systems fault lasts for more than eight hours (for planned maintenance) or 24 hours (for unplanned outages). TNSPs must also ensure that all protection systems for lines at a voltage above 66 kV are well-maintained so as to be available at all times other than for short periods of less than eight hours for maintenance of the protection systems.<sup>2</sup> In the event of an unplanned outage, AEMO's Power System Security Guidelines require that the primary network assets must be taken out of service within 24 hours.<sup>3</sup>

Furthermore, as per clause 4.11.1 of the NER, remote monitoring and control systems are required to be maintained in accordance with the standards and protocols determined and advised by AEMO.

A failure of the secondary systems will involve replacement of the failed component or taking the affected primary assets, such as lines and transformers, out of service.

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<sup>1</sup> As per Schedule 5.1 of the NER.

<sup>2</sup> As per S5.1.2.1(d) of the NER.

<sup>3</sup> Australian Energy Market Operator. "Power System Security Guidelines, 23 April 2019." Melbourne: Australian Energy Market Operator, 2019. Accessed 15 May 2019. [https://www.aemo.com.au/-/media/Files/Electricity/NEM/Security\\_and\\_Reliability/Power\\_System\\_Ops/Procedures/SO\\_OP\\_3715---Power-System-Security-Guidelines.pdf](https://www.aemo.com.au/-/media/Files/Electricity/NEM/Security_and_Reliability/Power_System_Ops/Procedures/SO_OP_3715---Power-System-Security-Guidelines.pdf)

Though replacement of failed secondary systems component is a possible interim measure, the approach is not sustainable as the stock of spare components will deplete due to the technology no longer being manufactured or supported. Once all spares are used, replacement will cease to be a viable option to meet performance standards stipulated in clause 4.6.1. of the NER.

If the failure to provide functional secondary systems due to technology obsolescence is not addressed by a technically and commercially feasible credible option in sufficient time (by 2022/23), the likelihood of not recovering from secondary systems faults and not maintaining compliance with NER performance requirements will increase.

The proposed investment will enable TransGrid to continue to meet the standards for secondary systems availability set out in the NER, and to avoid the impacts of taking primary assets out of service. Consequently, it is considered a reliability corrective action under the RIT-T.

A reliability corrective action differs from a 'market benefits'-driven RIT-T in that the preferred option is permitted to have negative net economic benefits on account of it being required to meet an externally imposed obligation on the network business.

## **No submissions received in response to Project Specification Consultation Report**

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TransGrid published a Project Specification Consultation Report (PSCR) on 27 May 2019 and invited written submissions on the material presented within the document. No submissions were received in response to the PSCR.

## **No material developments since publication of the PSCR**

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No additional credible options were identified during the consultation period following publication of the PSCR.

The following changes have occurred since the PSCR which have not made an impact on the preferred option:

- > updated the discount rates used
- > inflation escalation update
- > removed unserved energy from the NPV analysis
- > identified potential structural issues with the existing building at Deniliquin substation

Option 1 remains the preferred option at this stage of the RIT-T process.

## **Secondary Systems Buildings replacement remains the most prudent and economically efficient option to meet regulatory obligations**

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In the PSCR TransGrid put forward for consideration three technically and commercially feasible options:

- > **Option 1** – a complete upgrade and renewal of secondary systems at Deniliquin substation by using modular secondary system building (SSB) and installing new cables throughout
- > **Option 2** – complete in-situ replacement of all secondary systems assets at Deniliquin substation whilst retaining existing building and cables
- > **Option 3** – strategic asset replacement involving individual replacement of identified assets up to 2023 whilst retaining existing building and cables

Option 1 remains the most prudent and economically efficient option to address the identified need. Implementation of Option 1 will enable TransGrid to continue meeting its regulatory obligations set out in

clauses 4.11.1, 4.6.1(b),<sup>4</sup> and Schedule 5.1 of the NER. Consequently, it will ensure the performance standards applicable to Deniliquin substation secondary systems are met and is therefore the preferred option for this RIT-T.

The options are summarised in the table below.

TransGrid expects coronavirus (COVID-19) to impact its suppliers and disrupt their supply chains. TransGrid has preliminary advice that this is already occurring, although at this time the extent of the current or future impact is unknown. Consequently, some of the costs associated with the works outlined in this document may be affected.

All costs presented in this PACR are in 2019/20 dollars.

**Table 1 Options considered**

Option	Description	Capital costs (\$m 2019/20)	Operating costs (\$ 2019/20 per year)	Remarks
Option 1	Secondary Systems Buildings replacement (SSB)	11.0 (+/- 25%)	~4,000	Most economically beneficial and preferred option
Option 2	Complete in-situ (on-site) replacement	4.7 (+/- 25%)	~4,000	Less efficient and does not address existing cables and building foundation issues
Option 3	Strategic asset replacement	3.1 (+/-25%) by 2022/23 and 0.6 (+/- 25%) in 2024/25	~4,000	Less efficient and does not address existing cables and building foundation issues

### Non-network options are not able to assist in this RIT-T

In the PSCR, TransGrid noted that non-network options are not considered to be commercially and technically feasible to assist with meeting the identified need for this RIT-T. This is because non-network options will not enable TransGrid to continue meeting its NER obligation to provide redundant secondary systems and ensure that the transmission system is adequately protected.

<sup>4</sup> As per clause 4.6.1(b) of the NER, AEMO must ensure that there are processes in place, which will allow the determination of fault levels for normal operation of the power system and in anticipation of all credible contingency events and protected events that AEMO considers may affect the configuration of the power system, so that AEMO can identify any busbar which could potentially be exposed to a fault level which exceeds the fault current ratings of the circuit breakers associated with that busbar.

## Option 1 delivers the most benefit to consumers

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In this PACR TransGrid has considered three credible options which have been assessed relative to the base case. Of the credible options considered, Option 1 delivers the most benefit to consumers.

In the sensitivity analysis, under some conditions Option 2 becomes the preferred option. The most relevant scenario is increased capital cost. However, TransGrid still considers Option 1 to be superior based on:

- > Option 1 provides a larger overall safety risk reduction benefit over Options 2 and 3. This is because Options 2 and 3 cannot address the risks posed by the existing substandard cabling as it is not feasible to replace the cables in-situ due to space constraints. The capital cost difference between Option 1 and Options 2 and 3 is driven by cabling costs.
- > Subsequent to the publication of the PSCR, potentially significant structural issues with the existing building at Deniliquin substation were identified. The cost of building remediation works is currently not included in Options 2 and 3 as costly and time consuming invasive inspection is required to determine the extent of works. This is a conservative approach as it underestimates the capital cost for Options 2 and 3. Inclusion of the building remediation cost to the current cost estimate for Options 2 and 3 will only strengthen the position of Option 1 as the preferred option.

## Conclusion: a complete upgrade and renewal of secondary systems at Deniliquin substation by using modular Secondary Systems Buildings is optimal

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The optimal commercially and technically feasible option presented in the PSCR – Option 1 (a complete upgrade and renewal of secondary systems at Deniliquin substation by using modular SSB and installing new cable throughout) – remains the preferred option to meet the identified need. Option 1 can be implemented in sufficient time to meet the identified need by 2022/23, and is therefore the preferred option presented in this PACR.

Moving forward with this option is the most prudent and economically efficient solution to enable TransGrid to continue meeting its regulatory obligations set out in clauses 4.11.1, 4.6.1(b),<sup>5</sup> and Schedule 5.1 of the NER. Consequently, it will ensure the performance standards applicable to Deniliquin substation secondary systems are met.

Option 1 involves a complete upgrade and renewal of secondary systems at Deniliquin substation by using modular SSB and installing new cable throughout.

The estimated capital cost of this option is approximately \$11.0 million. Routine and operating maintenance costs are approximately \$4,000 per year.

The works will be undertaken between 2019/20 and 2022/23. Planning and procurement (including completion of the RIT-T) will occur between 2018/19 and 2019/20, while the procurement and delivery of the identified assets is planned to occur prior to 2020/21 and all works will be completed by 2022/23.

Necessary outages of relevant assets in service will be planned appropriately in order to complete the works with minimal impact on the network.

The analysis undertaken and the identification of Option 1 as the preferred option satisfies the RIT-T.

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<sup>5</sup> As per clause 4.6.1(b) of the NER, AEMO must ensure that there are processes in place, which will allow the determination of fault levels for normal operation of the power system and in anticipation of all credible contingency events and protected events that AEMO considers may affect the configuration of the power system, so that AEMO can identify any busbar which could potentially be exposed to a fault level which exceeds the fault current ratings of the circuit breakers associated with that busbar.

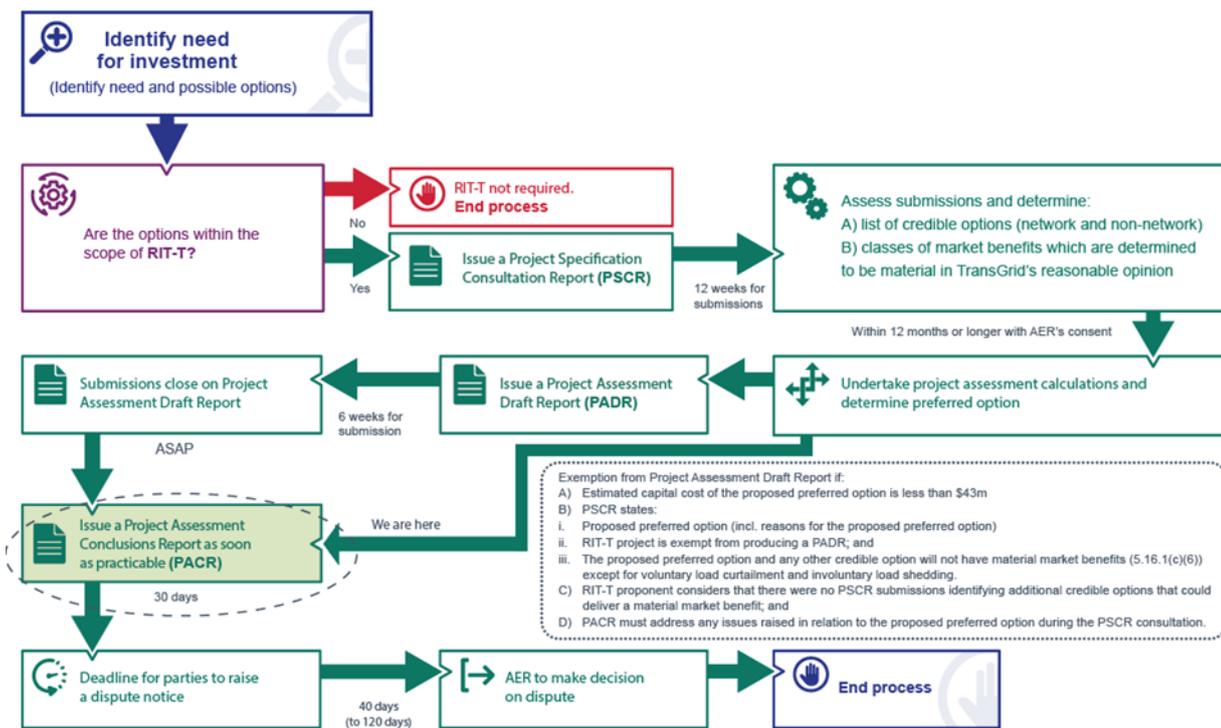
## Next steps

This PACR represents the third step in a formal Regulatory Investment Test for Transmission (RIT-T) process undertaken by TransGrid. It follows a Project Specification Consultation Report (PSCR) released in May 2019. The second step, production of a Project Assessment Draft Report (PADR), was not required as the investment in relation to the preferred option is exempt from this part of the RIT-T process under NER clause 5.16.4(z1). Production of a PADR is not required<sup>6</sup> due to:

- > the estimated capital cost of the proposed preferred option being less than \$43 million;
- > the PSCR states:
  - proposed preferred option (including reasons for the proposed preferred option)
  - RIT-T is exempt from producing a PADR
  - The proposed preferred option and any other credible option will not have material market benefits<sup>7</sup> except for voluntary load curtailment and involuntary load shedding
- > RIT-T proponent considers that there were no PSCR submissions identifying additional credible options that could deliver a material market benefit; and
- > PACR must address any issues raised in relation to the proposed preferred option during the PSCR consultation.

As noted in the PSCR, the investments are intended to continue meeting Rules obligations and will not have material market benefit, therefore TransGrid is exempt from producing a PADR for this RIT-T.

**Figure 1 This PACR is the third stage of the RIT-T process**



<sup>6</sup> In accordance with NER clause 5.16.4(z1)(4), the exemption from producing a PADR will no longer apply if TransGrid considers that an additional credible option that could deliver a material market benefit is identified during the consultation period. No additional credible options were identified.

<sup>7</sup> As per clause 5.16.1(c)(6)

Parties wishing to raise a dispute notice with the AER may do so prior to 2 June 2020 (30 days after publication of this PACR). Any dispute notices raised during this period will be addressed by the AER within 40 to 120 days, after which the formal RIT-T process will conclude.

Further details on the RIT-T can be obtained from TransGrid's Regulation team via [RIT-TConsultations@transgrid.com.au](mailto:RIT-TConsultations@transgrid.com.au). In the subject field, please reference 'Deniliquin Secondary Systems PACR'.

To read the full Project Assessment Conclusions Report visit the [Regulatory Investments Test page](#) on TransGrid's website.