

14 April 2023

Mr Daniel Westerman
CEO, Australian Energy Market Operator
Lodged by email to: VNIWestRITT@aemo.com.au

Dear Mr Westerman,

Response to VNI West Consultation Report - Options Assessment

The Clean Energy Investor Group (CEIG) welcomes the opportunity to provide feedback on the Australian Energy Market Operator (AEMO)'s *VNI West Consultation Report - Options Assessment* (VNI West Options Report) published in February 2023. We apologise for lodging our submission past the due date.

CEIG represents domestic and global renewable energy developers and investors, with more than 16GW of installed renewable energy capacity across more than 76 power stations and a combined portfolio value of around \$38 billion. CEIG members' project pipeline is estimated to be more than 46GW across Australia. CEIG strongly advocates for an efficient transition to a clean energy system from the perspective of the stakeholders who will provide the low-cost capital needed to achieve it.

KEY POINTS

- CEIG commends AEMO on the work it has done on reviewing the proposed options for the delivery of VNI West to offer options that are more attuned to stakeholders and community concerns.
- CEIG supports VNI West being delivered based on AEMO's option 5 which connects directly from a proposed new terminal station near Kerang to a new terminal station at Bulgana (near Ararat/Stawell).
 - CEIG notes AEMO's assessment that "option 5 clearly outperforms Option 3A (and all other options)."
 - CEIG also notes that option 5 has the support from local business organisation Wimmera Development Association (WDA).
- Considering the Commonwealth Government's commitment to the Paris Agreement, CEIG is calling for AEMO to make transmission investment decisions (such as VNI West) in ways that are consistent with maintaining warming under 1.5 degrees.
 - This would be more consistent with international investor expectations

sentiment and trading partner actions.

- AEMO must also make decisions that enable transmission investment to be delivered without delays.
 - This is critical to avoid higher than necessary costs for consumers.
 - Option 5 appears best-placed to be delivered efficiently.
 - AEMO should work towards the 2028 completion date agreed by governments in their Rewiring the Nation agreement.
- CEIG recommends that Victoria triggers a competitive tender for VNI West (including full utilisation of the contestable framework) to make sure that the project is built on time and efficiently.
 - CEIG is disappointed that procurement of the VNI West transmission project will not be open to contestability from the private sector.
 - Bringing in the skills and expertise of experienced privately-owned transmission companies has the potential to lower minimise risks and lower costs for consumers.

CEIG welcomes the additional VNI West consultation report recently published by AEMO. This report incorporates critical new information and feedback from local communities, and it proposes new transmission investment solutions for the delivery of VNI West that are more attuned to stakeholders and community concerns.

CEIG commends AEMO on the work it has done on reviewing the proposed options for the delivery of VNI West.

CEIG supports AEMO's VNI West Option 5 'to Bulgana'

After reviewing AEMO's proposed options for the delivery of VNI West, CEIG supports option 5 which connects directly from a proposed new terminal station near Kerang to a new terminal station at Bulgana (near Ararat/Stawell).

CEIG supports the delivery of transmission investment:

- in a timely manner to allow the buildout of sufficient renewable energy capacity to replace the ageing thermal fleet;
- in a quantum sufficient to unlock low-cost renewable energy capacity and aligned to 1.5 degree scenarios; and
- in ways that maximise social licence from local communities.

CEIG notes that AEMO has assessed that:

“option 5 clearly outperforms Option 3A [(to Waubra/Lexon with spur)] (and all other options).”

CEIG also notes that option 5 has the support from the Wimmera Development Association (WDA)¹:

“WDA analysis shows transmission routes that are appropriate, have – or can build – social licence in a timely manner, and that will enable the expedited and long-term development and delivery of substantial renewable energy resources in western Victoria.”

Finally, not getting social licence right would be likely to lead to project delivery delays and potential late-stage cost changes as additional hurdles would be encountered at the planning and environmental approvals stage, leading to increasing costs to consumers.

CEIG notes that other stakeholders such as RE-Alliance have also highlighted the importance of getting social licence right:

“Without an adequate social licence, some of the ISP transmission projects may not be built, or not built in a timely way, or may be forced onto communities unwillingly. These are not desirable outcomes, nor are they desirable for consumers for whom ISP projects should be delivering long term savings. Community benefit sharing can alleviate many of these issues and make new transmission assets more welcome in rural communities.”²

Support for 1.5 degree aligned transmission investment and scenarios as they better match international investor sentiment

Under the Paris Agreement, Australia has committed to pursue efforts to limit temperature increase to 1.5 degrees.³ Although there have recently been several important energy and emission policy announcements from federal, state and territory governments, these policy announcements are currently insufficient to meet 1.5 degrees.

In its recent [submission to AEMO on the draft 2024 Integrated System Plan assumptions](#), CEIG noted its disappointment that only one out of four scenarios was 1.5 degree compliant and CEIG recommended that AEMO must plan more significantly for emission reductions consistent with maintaining warming under 1.5 degrees.

Likewise, when making decisions around transmission investment such as VNI West, CEIG is calling for AEMO to make transmission investment decisions consistent with maintaining warming under 1.5 degrees. This would be more consistent with international investor expectations sentiment and trading partner actions.

Delays in transmission investment are costly for consumers

AEMO must also make decisions that enable transmission investment to be delivered without delays as this is critical to avoid higher than necessary costs for consumers. Option 5 appears best-placed to be delivered efficiently.

¹ WDA, Feb-23, [Keeping the lights on & enabling a renewable energy revolution in Wimmera Southern Mallee](#)

² RE-Alliance [Submission to AEMC's Transmission Planning and Investment Review Consultation Paper](#)

³ [Australia's International Climate Commitments](#)

In our [Transmission planning and investment for clean electricity](#) Report commissioned from Baringa, we have previously noted that delays to transmission augmentations would leave each residential and each small-to-medium enterprise customer worse off.

This is further demonstrated in research published by Nexa Advisory⁴ which outlined that:

- “a delay of even one year in delivering new transmission results in higher bills for consumers. Business customers are impacted the most; and
- Victoria is most severely impacted because of its reliance on energy generation in NSW and Tasmania. The modelling shows a significant spike in prices if HVNI West and Marinus Link are delayed.”

Finally, as outlined in this submission, it is critical that VNI West is completed in a timely manner. CEIG encourages AEMO to work towards the 2028 completion date agreed to by governments in their October 2022 Rewiring the Nation agreement.

Importance of contestability to speed up the transmission build out

CEIG is disappointed that procurement of the VNI West transmission project will not be open to contestability from the private sector as outlined in the Order made by the Victorian Minister for Energy and Resources under the *National Electricity (Victoria) Act 2005* (NEVA) of 20 February 2023.

CEIG has long been an advocate of greater contestability in transmission as bringing in the skills and expertise of experienced privately-owned transmission companies has the potential to lower minimise risks and lower costs for consumers. We outline our rationale further in our [CEIG Investor Principles](#).

CEIG recommends that Victoria triggers a competitive tender for VNI West (including full utilisation of the contestable framework) to make sure that the project is built on time and efficiently.

CEIG thanks AEMO for the opportunity to provide feedback on its VNI West Options Report and looks forward to continued engagement on those issues. Our Policy Director Ms. Marilyne Crestias can be contacted at marilyne.crestias@ceig.org.au if you would like to further discuss any elements of this submission.

Yours sincerely,



Simon Corbell
Chief Executive Officer and Chairperson
Clean Energy Investor Group Ltd

⁴ Nexa Advisory, Jun-22, [Modelling electricity bill impact of transmission project delays](#)



**Clean Energy
Investor Group**

50 Camberwell Road Hawthorn East VIC 3123

W: www.ceig.org.au