

29 April 2021

Andrew Kingsmill
Head of Network Planning
TransGrid

Submitted via email



Dear Mr Kingsmill,

Submission to Broken Hill secondary systems replacement PADR

PIAC welcomes the opportunity to respond to TransGrid's Project Assessment Draft Report (PADR) as part of the Regulatory Investment Test for Transmission (RIT-T).

TransGrid has selected Option 4 as its preferred option to replace the secondary systems defined in the identified need. This option will bring forward some primary system replacement scheduled to be completed by 2024/25.

Bringing forward works in the same location provides economies of scale and scope, however it also introduces risk consumers will pay now for investment that is either not needed for several more years or not needed at all. This is especially the case if asset replacement is driven by a predetermined economic asset life rather than a cost assessment based on asset performance. TransGrid has not substantiated that bringing this forward is prudent or efficient.

TransGrid has not made clear how bringing forward the primary system works is in the interests of consumers. To address this, TransGrid should demonstrate:

- The efficiencies made possible by bringing forward the primary system works are, on balance, worth any increased cost and/or risk consumers will incur as a result.
- Option 4 is the most efficient and prudent way to achieve these efficiencies. This should involve TransGrid providing a clear and consistent cost comparison between the options. The cost estimates for each option in the PADR are for different scope of works as they do not include the primary system replacement costs.

Without this substantiation, PIAC is concerned the preferred option could represent an excessive increase in transmission costs to consumers through inefficient expansion of TransGrid's RAB when lower-cost options are available.

Continued engagement

PIAC would welcome the opportunity to meet with TransGrid and other stakeholders to discuss these issues in more depth.

Yours sincerely,

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