

25 June 2021



Stakeholder Relations
Australian Energy Market Operator

Submitted electronically.

Dear Stakeholder Relations team,

Integrated System Plan Transmission Cost Estimation

The Public Interest Advocacy Centre (PIAC) is an independent, non-profit legal centre based in New South Wales. Established in 1982, PIAC tackles systemic issues that have a significant impact on people who are marginalised and facing disadvantage. We ensure basic rights are enjoyed across the community through litigation, public policy development, communication and training. The Energy + Water Consumers' Advocacy Program represents the interests of low-income and other residential consumers, developing policy and advocating in energy and water markets.

PIAC welcomes the opportunity to respond to the Australian Energy Market Operator's (AEMO) report into transmission costs for the 2022 Integrated System Plan (ISP). We generally support AEMO's approach to estimating transmission costs and are particularly supportive of the creation of the Transmission Cost Database (the Database). We consider the Database will increase the transparency and robustness of the ISP and support meaningful engagement of a wider range of stakeholders with the ISP and related processes.

PIAC has two primary concerns with the estimation of transmission costs: the accuracy of the benchmark cost estimates and ensuring the accuracy of Transmission Network Service Providers (TNSP) cost estimates over the long term.

PIAC is deeply concerned about the continued systematic underestimating of transmission costs by TNSPs, and resultant risks of unforeseen long-term bill impacts from ISP projects and inefficient investments.

PIAC notes due to the lack of recent large-scale transmission line projects constructed in Australia, AEMO has used a selection of network elements from large-scale transmission and substation projects in the advanced stages of design as a set of benchmarks for costs. AEMO notes these benchmark costs were found to be $\pm 15\%$ accurate and considers this acceptable. PIAC is not able to comment on whether $\pm 15\%$ is an acceptable level of accuracy, but suggests AEMO could look to other cost references, such as overseas examples, to improve the accuracy of the Database outputs.

PIAC supports AEMO assessing TNSP cost estimates and asking for further adjustments where it sees fit. While we support this rigour being applied, AEMO

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is limited in its ability to ensure TNSP estimates are accurate. PIAC recommends AEMO consider how the ISP rules and Regulatory Investment Test for Transmission (RIT-T) processes could be changed to limit cost blowouts that impact ISP modelling and result in extra costs for consumers.

PIAC recommends continuously reviewing the accuracy of the cost-estimate database as it is put to use. In particular, PIAC suggests assessing whether the Database is systematically underestimating costs and adjusting inputs where needed.

We welcome the opportunity to discuss these matters further with AEMO.

Yours sincerely

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