

1 June 2022

Mr Arek Gulbenkoglu
General Manager
Australian Energy Regulator
GPO Box 3131
CANBERRA ACT 2601

Submitted by email: AERinquiry@aer.gov.au

Dear Mr Gulbenkoglu

Transgrid's HumeLink Stage 1 Contingent Project Application

PIAC welcomes the opportunity to respond Transgrid's Contingent Project Application (CPA) for HumeLink early works.

The CPA as proposed is not in the consumer interest

In PIAC's view, Transgrid's Contingent Project Application is not in the interests of energy users and should be rejected by the AER.

The costs sought by Transgrid for these early development works – essentially preparation of a detailed plan and non-binding cost estimate – represent approximately \$100 per energy user in NSW and ACT. Based on available information, neither the proposed early works, nor HumeLink itself, demonstrate value for consumers, especially considering the cost of related analysis done to date by Transgrid, AEMO (ISP) and Snowy 2 that has been funded by consumers and taxpayers. Any early works undertaken for HumeLink are likely to reveal more costs and exacerbate the lack of value for consumers in the project.

HumeLink is required for Snowy 2, but not required for consumers. Snowy Hydro is the primary beneficiary of HumeLink and should fund most related works, including early works.

Recommendations

The AER should reject Transgrid's CPA for HumeLink early works as it stands.

The AER should require most works and costs associated with HumeLink to be treated as a connection asset for Snowy 2 - as would be the case if Snowy 2 was privately owned rather than Government-owned - and require commensurate costs for the asset to be recovered from Snowy.

With respect to funding early works, Transgrid should be required to:

- Obtain the bulk of funding from Snowy Hydro.
- Undertake genuine and transparent engagement, in keeping AER and stakeholder expectations and overseen by Transgrid's Advisory Council, to understand consumers' preferences and willingness to make any contribution to HumeLink and its early works.
- Recover any remaining funding from Transgrid shareholders, who would benefit from the 50% increase in Regulated Asset Base (RAB) resulting from HumeLink.

All other concerns raised below should be addressed at appropriate stages of the HumeLink project.

Key concerns

PIAC supports the EUAA's submission to the AER with respect to following aspects:

- Transgrid has not fulfilled its engagement obligations or expectations.
- There is a high risk of costs being markedly higher than current estimates.
- HumeLink is mainly being built to provide access to market for Snowy 2.
- Concerns about the accuracy of costs and benefits noted by EUAA.

PIAC notes Transgrid has directly engaged with EUAA to provide further information requested. PIAC strongly supports EUAA's actions in seeking more rigorous and detailed information. However, we regard this as another case of Transgrid avoiding transparently engaging with all key stakeholders, in preference to discrete, bilateral engagement with individual stakeholders. As noted in PIAC's recent submission on Transgrid's revenue proposal, this is not an acceptable approach to engagement, and is repeated behaviour which Transgrid must address and which should be taken into account in assessing proposals from Transgrid.

PIAC supports the National Parks Association's submission to the AER with respect to the following aspects:

- The AER should not proceed with assessing the CPA in its current form.
- The HumeLink RIT-T process has not been well ordered and lacks rigorous assessment.
- None of the options proposed by Transgrid are likely to have a net consumer benefit.
- The actual costs are likely to exceed current cost estimates.
- There are preferable route options to Transgrid's preferred option.
- NSW consumers (or any consumers) should not bear the full cost of HumeLink as its prime purpose is to connect Snowy 2.
- AER should require Snowy Hydro to cover a fair apportionment of HumeLink's costs, including early works.
- The amount proposed for early works could be pared back significantly.
- If HumeLink were built in the absence of Snowy 2, it would be lower cost, shorter and not be required as soon (if at all).
- Environmental impacts of HumeLink (and other Snowy 2 related assets) can and should be minimised.
- Given the nature of HumeLink as a significant and unprecedented project, AER and Transgrid should take on board NPA's feedback and contributions in full, despite any timeliness concerns.
- The Rules are not adequate to ensure major transmission projects are properly assessed in the best interests of consumers.
- NPA's assessment of the Net Benefits of HumeLink is more accurate than Transgrid's
- Transgrid's assessment includes unrealistic assumptions regarding Snowy 2 operation.
- HumeLink's build date can be deferred in line with delays to Snowy 2.

PIAC understands Rules introduced to support implementation of the ISP limit the AER's role and reach in the HumeLink assessment process. In PIAC's view, outcomes relating to HumeLink and Project Energy Connect demonstrate these changes fail to support the interests of consumers.

PIAC does not support the inclusion of competition benefits in Transgrid's assessment of HumeLink. Noting the implausible wholesale market benefits purported by Transgrid for Project Energy Connect, any competition benefits that are included should be fully and independently estimated by AER rather than Transgrid or their consultants.

PIAC would appreciate the opportunity to discuss these matters directly with the AER.

Yours sincerely

Craig Memery
Senior Advisor