

16 November 2020

Mr Derek Madden  
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Dear Mr Madden

**Re: Western Victoria Network Transmission Project (WVNTP) – further request for information**

Thank you for your letter of 9 October 2020 and your ongoing engagement with AEMO and AusNet Services in relation to this project. My apologies for the delay in responding.

Both of our organisations acknowledge the significant implications that this project will have on members of your Shire and that many in your community are requesting more information to understand the process to date and steps going forward, as well as details of the location and potential impacts of this project.

As highlighted in my previous letter, a strict regulatory regime governs the development of the transmission network in Australia and dictates the matters that can be considered by AEMO in its role as Victoria's Network Planner.

AEMO understands that the multiple processes that apply to a project of this size has raised concerns amongst the community regarding the development and approvals for the WVNTP. It is important to remember that the Regulatory Investment Test for Transmission (RIT-T) is not a form of planning and environmental approval. Instead, it is the first step in the development of a potential project, much like a private entity would undertake a business case prior to a decision that the project proceed to the next step. And as you know, for the WVNTP to progress to construction, the project's environmental, cultural and social impacts must be assessed through the EES and EPBC processes, and ultimately obtain approvals from the relevant authorities including from the Victorian Minister for Planning; it is expected that these processes will take in excess of two years to complete. Ultimately, for the project to succeed during the planning and

construction phases it also needs to be designed, located and constructed by AusNet Services appropriately and sensitively, informed by meaningful stakeholder engagement, to minimise impacts and maximise benefits across the board.

As you know, AEMO was required to undertake a cost-benefit assessment, through the RIT-T, of several options to alleviate capacity constraints in the transmission network in western Victoria. This work is governed by the National Electricity Rules (NER) and the Australian Energy Regulator's RIT-T guidelines, that have been specifically designed with the aim of promoting efficient investment, operation and use of electricity services in the long-term interests of consumers. In effect, this means that the option selected is that which was assessed to be both technically feasible and that would deliver the highest net market economic benefits. The guidelines, for example, explicitly exclude consideration at this stage of the process, of costs of an option's potential harm to the environment or matters such as the loss of visual amenity and environmental impacts that are not regulated.

With that context, I turn to your question regarding AEMO's consideration of AC/DC transmission. I can confirm that high voltage direct current (HVDC) equipment was considered in the RIT-T assessment and subsequently excluded (see [PADR](#) p.31). Whilst HVDC is a technically feasible option, it would cost significantly more relative to a high voltage alternating current (HVAC) solution and thus would not be economically feasible. The additional costs compared to HVAC are mostly due to the fact that the new transmission line needs to link into the existing network, which is HVAC. Integration of HVDC and HVAC technologies requires 'converter stations' at every point the two technologies meet. This would involve the installation of very large, expensive, above ground facilities adjoining each of the four terminal stations involved, as well as for each subsequent generator that connects. This would also have impacts on landholder access and amenity.

With that said, I empathise with the many advocating for an underground solution. Similarly to the Moorabool Shire investigation into the costs of an underground high voltage transmission line, AEMO's assessment through the RIT-T found that an underground option would cost substantially more than an equivalent overhead transmission line solution. As discussed in the recent Council CEO meeting, this matter will be covered in further detail in conjunction with AusNet Services, who have undertaken further assessment of undergrounding, as part of the ESS process.

Regarding your second question on social license for the project, I acknowledge that there is much uncertainty in the community about the project and many are concerned

about the location and potential impacts of this project. The nature of the process for transmission projects means that the details of the project location and timing is not yet available, and we understand that this is frustrating for your community and other communities in the area of interest. I understand that AusNet Services has heard that communities would value a greater level of information to better enable community participation that is meaningful. Some examples of upcoming activities AusNet Services' has planned include:

- Continuing with Community Drop-In sessions within the Area of Interest.
- Release of fact sheets directly addressing issues of community concern. Fact sheets will continue to be developed as topics are raised by the community.
- Proactive engagement with local community groups to reach groups not covered by existing engagement methods.
- Delivering community sessions with independent experts on key issues to provide further information credibility on key issues of community concerns.
- Continued direct landowner engagement so that the process of access, investigations, establishment of easements and compensation is understood.
- Engagement with communities on the Draft Scoping Requirements for the EES during the public comment period.
- Narrowing down the project Area of Interest to a Project Study Corridor or Corridors for further investigation.
- Closing the loop by sharing a summary of the community engagement findings to date and outlining how these inputs have been used to guide the assessment of potential Corridors.

In answer to your third and fourth questions regarding commercial matters, AusNet Services has been engaged by AEMO to design, construct, commission, own, operate and maintain the transmission lines. AEMO conducted a competitive tender arrangement under the National Electricity Rules once it was determined that the transmission network was required to be augmented and selected AusNet Services based on a number of tender evaluation criteria including pricing to enable the best outcomes for Victorians.

The actual capital expenditure and operating costs are not able to be disclosed due to confidentiality requirements between the parties. I would like to emphasise however that in accordance with the NER, a competitive tender process was undertaken and resulted in significant interest and participation. AEMO worked closely with an external

probity advisor and with other relevant specialists to ensure that the process was robust and competitive. More information about the process is available [online](#).

AusNet Services do not receive any contractual payments until construction has been completed, which is expected to be in 2024. Once the construction is complete, AusNet Services provide network services to AEMO utilising the assets over a specified period of time and receive a fee from AEMO for the services. AEMO recovers the fee through Transmission Use of System (TuOS) charges to transmission network users in Victoria, and these charges are calculated in accordance with the National Electricity Rules and AEMO's Pricing Methodology.

I look forward to our upcoming workshop in November. If there are any other matters that you would like to discuss ahead of the workshop, please do not hesitate to contact me.

Yours sincerely



Tony Chappel  
**Chief External Affairs Officer**