



# Victoria Government Gazette

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## National Electricity (Victoria) Act 2005

### VNI SIPS MINISTERIAL ORDER

I, Lily D'Ambrosio, Minister for Energy, Environment and Climate Change and Minister responsible for administering the **National Electricity (Victoria) Act 2005** (the Act), having consulted with the Premier, the Treasurer and AEMO in accordance with section 16ZA of the Act, pursuant to section 16Y thereof, make the following Order.

Note: In accordance with section 16ZB of the Act, my reasons for making this Order are published in this same issue of the Government Gazette and will be made available at [www.delwp.vic.gov.au](http://www.delwp.vic.gov.au) as soon as practicable after the making of this Order.

#### PRELIMINARY

##### 1. Commencement

This Order commences on the day it is published in the Government Gazette.

##### 2. Definitions and interpretation

In this Order, unless the context otherwise requires:

###### (1) Definitions:

**Minister** means the Minister for Energy, Environment and Climate Change;

**VNI** means the Victoria – New South Wales Interconnector being (more particularly) the 330 kV transmission lines connecting Murray to Dederang and Dederang to South Morang, together with those lines' transmission plant;

**VNI SIPS agreement** means an agreement or agreements that provides for the provision of VNI SIPS non-network services;

**VNI SIPS evaluation report** means a report that evaluates responses received in response to an invitation to tender that AEMO has issued seeking non-network services, where those non-network services are, pursuant to this Order, specified as VNI SIPS non-network services;

**VNI SIPS non-network services** – see clause 3.

###### (2) Words and expressions that are defined in the Rules have the same meaning as they have under the Rules, except where modified by this Order.

Note 1: Words and expressions defined in the Rules that are used in this Order include:

(all the definitions are in Chapter 10 of the Rules)

AEMO  
declared transmission system  
materially  
maximum allowed revenue  
pass through event  
positive change event  
prescribed shared transmission services  
prescribed transmission services  
pricing methodology  
regulatory year  
Rules  
transmission line  
transmission plant

Note 2: See also the Ministerial Order under section 30 of the Act made 26 June 2009, published in Special Gazette S222 on 30 June 2009, which Order describes the declared transmission system.

###### (3) All section, division, subdivision and part references are to sections, divisions, subdivisions and parts of the National Electricity (Victoria) Law.

**SPECIAL**

## SPECIFICATION OF NON-NETWORK SERVICES

### 3. Specified non-network services

The non-network services specified in the Schedule (VNI SIPS non-network services) are specified non-network services for the purposes of Division 7 of Part 3 of the Act.

## AEMO'S FUNCTIONS

### 4. AEMO required to carry out the functions conferred on it by this Order

- (1) In respect of VNI SIPS non-network services, AEMO is required to carry out the functions conferred on it by this Order.

Note: Pursuant to section 16X(2)(a) of the Act, the functions conferred on AEMO by this Order are taken to be conferred by the Act for the purposes of section 50C(1)(f) of the National Electricity (Victoria) Law.

- (2) Except to the extent that this Order provides otherwise, nothing in this Order:
- (a) limits AEMO's functions under the National Electricity (Victoria) Law and the Rules; or
  - (b) without limiting paragraph (a), limits AEMO in terms of any other agreement that it has entered into or may enter into with respect to the declared transmission system.

### 5. AEMO's functions in respect of VNI SIPS non-network services

- (1) AEMO is required to carry out the following functions in respect of VNI SIPS non-network services:
- (a) evaluate tenders submitted in response to any invitation to tender;
  - (b) prepare a VNI SIPS evaluation report;
  - (c) negotiate with one or more preferred tenderers; and
  - (d) any other function related to, or arising from, paragraphs (a) to (c) above.

Notes:

- 1. See section 16Y(2)(j) of the Act.
- 2. Further functions may be conferred on AEMO by subsequent Orders made pursuant to section 16Y of the Act.

- (2) However, any negotiations with a preferred tenderer must be:
- (a) conducted in accordance with this Order; and
  - (b) on the basis that they are conducted subject to any proposed VNI SIPS agreement having to comply with any further Ministerial Order to be made pursuant to section 16Y of the Act.
- (3) Until any such further Ministerial Order is made, AEMO and a preferred tenderer are prohibited from entering into any VNI SIPS agreement.

## PERFORMANCE OF AEMO'S FUNCTIONS

### 6. Evaluation and negotiation

AEMO must perform the functions conferred on it by clause 5(1) in a manner that accords with the tender and evaluation process set out in an invitation to tender and otherwise accords with that invitation to tender.

### 7. Provision to Minister of a VNI SIPS evaluation report.

AEMO must use its reasonable endeavours to provide the Minister with a VNI SIPS evaluation report no later than 30 June 2020.

**PROVISION OF INFORMATION****8. Provision of information by a declared transmission system operator**

A declared transmission system operator must provide:

- (a) upon written request by AEMO; and
  - (b) within a reasonable period as specified by AEMO in the request,
- such information and assistance as is reasonably required by AEMO for AEMO to perform the functions conferred on it by clause 5(1).

**COST RECOVERY****9. AEMO's costs**

- (1) Despite anything to the contrary in the Rules, AEMO's VNI SIPS evaluation and negotiation costs may be recovered through charges in respect of prescribed transmission services.
- (2) For the purposes of subclause (1), AEMO complying with this Order, including the carrying out by AEMO of the functions specified in clause 5(1) of this Order, are deemed to be the provision of prescribed shared transmission services.
- (3) The definition of *prescribed shared transmission services* in the Rules, in that definition's application in respect of this Order and the Rules, is modified accordingly.
- (4) Despite anything to the contrary in the Rules:
  - (a) AEMO's maximum allowed revenue for this and subsequent regulatory years is to be taken to include AEMO's VNI SIPS evaluation and negotiation costs;
  - (b) consequent on the above and despite anything to the contrary in AEMO's pricing methodology, AEMO, in the case of this and the subsequent regulatory years, may publish amended prices for prescribed shared transmission services to take effect from a date AEMO specifies; and
  - (c) AEMO may modify its pricing methodology and revenue methodology for this and subsequent regulatory years to provide for AEMO's VNI SIPS evaluation and negotiation costs.

Notes:

1. See clause S6A.4.2 of the Rules;
  2. Section 16ZC(1) of the Act provides that this Order has effect despite anything to the contrary in any agreement or contract.
- (5) Except to the extent that this Order provides otherwise, nothing in this clause limits the provisions of the National Electricity (Victoria) Law or the Rules that otherwise apply to AEMO in respect of its maximum allowed revenue, revenue methodology, pricing methodology or prices for prescribed shared transmission services.
  - (6) In this clause:

**AEMO's VNI SIPS evaluation and negotiation costs** means the costs AEMO incurs as a result of the making of this Order, or AEMO complying with a requirement under this Order, including (but not limited to) the costs of:

- (a) evaluating tenders submitted in response to any invitation to tender;
  - (b) preparation of a VNI SIPS evaluation report;
  - (c) negotiations with one or more preferred tenderers; and
  - (d) any other function related to, or arising from, paragraphs (a) to (c) above,
- but does not include any costs:
- (e) incurred by AEMO prior to the commencement of this Order; or
  - (f) for which AEMO is reimbursed, or is to be reimbursed, by the State.

**10. Declared transmission system operator's information provision costs**

- (1) Despite anything to the contrary in the Rules, a declared transmission system operator's information provision costs, notwithstanding that those costs may be less than 1% of that operator's maximum allowed revenue for a regulatory year, may be recovered as a pass through event subject to, and in accordance with, Chapter 6A of the Rules.
- (2) For the purposes of subclause (1), clause 6A.7.3(a1) of the Rules is modified accordingly.
- (3) The definitions of *pass through event*, *positive change event* and *materially* in the Rules, in those definitions' application in respect of this Order and the Rules, are modified accordingly.
- (4) In this clause:  
**declared transmission system operator's information provision costs** means the costs of a declared transmission system operator in complying with clause 8 of this Order and no other costs.

**SCHEDULE****Specified non-network services:**

A non-network service for or with respect to the declared transmission system that is a System Integrity Protection Scheme thermal service capable of delivering up to 250 MW of continuous power generation for a period of at least 30 minutes to increase the transfer capacity of the VNI.

**Reasons for Making VNI SIPS Ministerial Order  
under Section 16Y of the National Electricity (Victoria) Act 2005**

In accordance with section 16ZB(1) of the **National Electricity (Victoria) Act 2005** (the Act), I make the following statement of reasons for making the VNI SIPS Ministerial Order under section 16Y of the Act.

Recent fires and weather events have impacted Victoria's transmission network. Climate change is resulting in hotter summers and increasing peak demand for electricity. Victoria's coal-fired generators are ageing and becoming increasingly unreliable. As a result, Victoria's electricity system is facing unprecedented challenges in delivering reliable electricity to consumers.

Accordingly, there is a crucial need in Victoria to secure additional reliable electricity supplies. The additional capacity is required to meet the immediate reliability and security needs of the national electricity system in Victoria.

I have considered the options available under the National Electricity Law and the National Electricity Rules to address the crucial national electricity system need in Victoria, including alternatives to augmentation of the declared transmission system.

The national electricity system need in Victoria could be met by increasing the capacity of the Victoria New South Wales Interconnector (VNI) to import electricity to Victoria.

The Australian Energy Market Operator (AEMO) has completed a Call for Expressions of Interest to provide a System Integrity Protection Scheme (SIPS) that will support the operation of the VNI and enable Victoria to import more electricity from New South Wales, up to 250 MW at peak times.

The VNI SIPS Ministerial Order enables AEMO to progress to the final stage of its procurement process for the SIPS and assess tenders before advising the Victorian Government of the outcome of the tender.

HON. LILY D'AMBROSIO MP  
Minister for Energy, Environment and Climate Change

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