



Victoria Government Gazette

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National Electricity (Victoria) Act 2005

FIRST REZ STAGE 1 PROJECTS MINISTERIAL ORDER

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

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 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, the following words have the following definitions:

AEMO has the same meaning as in the Law.

augmentation has the same meaning as in the Law.

CEI evaluation report means a report that evaluates responses received to the call for expressions of interest issued in accordance with subclause 7(a).

contestable augmentation has the same meaning as in clause 8.11.3 of the Rules.

declared transmission system has the same meaning as in the Law.

Note 1: See also Ministerial Order under section 30 of the Act made 26 June 2009, published in Special Gazette S222 on 30 June 2009, which describes the declared transmission system.

declared transmission system operator has the same meaning as in the Law.

incumbent declared transmission system operator has the same meaning as in clause 8.11.3 of the Rules.

information provision costs means the actual costs incurred by a declared transmission system operator in complying with subclause 13(1), but does not include any cost of:

- (a) responding to a request for proposal issued by AEMO to provide each REZ stage 1 project augmentation;
- (b) providing a detailed breakdown of the declared transmission system operator's costs of providing each REZ stage 1 project augmentation, on an open book basis, including all supporting information and evidence and an associated financial model, including separable information for any:
 - (i) capital cost or saving;
 - (ii) operating cost or saving;
 - (iii) provision for risk;
 - (iv) rate of return;
 - (v) financing costs; and
 - (vi) other cost, contingency, allowance, margin or saving;
- (c) negotiating a REZ stage 1 augmentation project document with AEMO;
- (d) providing a legally binding REZ stage 1 augmentation project document to AEMO, or performing its obligations under, or complying with, such document;

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- (e) responding to a call for expressions of interest or an invitation to tender issued by AEMO to provide REZ stage 1 project non-network services;
- (f) negotiating a REZ stage 1 non-network services project document with AEMO; or
- (g) providing a legally binding REZ stage 1 non-network services project document to AEMO, or performing its obligations under, or complying with, such document.

ITT evaluation report means a report that evaluates responses received to the invitation to tender issued in accordance with subclause 7(d).

Law means the National Electricity (Victoria) Law.

maximum allowed revenue has the same meaning as in Chapter 10 of the Rules.

pass through event has the same meaning as in Chapter 10 of the Rules in respect of a transmission determination.

prescribed common transmission services has the same meaning as in Chapter 10 of the Rules.

region has the same meaning as in Chapter 10 of the Rules.

regulatory year has the same meaning as in Chapter 10 of the Rules.

revenue methodology means the revenue methodology referred to in clause S6A.4.2(c) of the Rules.

REZ means renewable energy zone.

REZ stage 1 augmentation agreement means an agreement under which AEMO procures the design, construction, operation and maintenance of a REZ stage 1 project augmentation.

REZ stage 1 augmentation project document means:

- (a) a REZ stage 1 augmentation agreement; or
- (b) any agreement or document related or ancillary to a REZ stage 1 augmentation agreement.

REZ stage 1 non-network services agreement means a services agreement under which AEMO is to be provided with REZ stage 1 project non-network services.

REZ stage 1 non-network services project document means:

- (a) a REZ stage 1 non-network services agreement; or
- (b) any agreement or document related or ancillary to a REZ stage 1 non-network services agreement.

REZ stage 1 project augmentation is defined in subclause 3(1).

REZ stage 1 project non-network services is defined in clause 4.

Rules means the National Electricity Rules made under Part 7 of the Law, as amended from time to time in accordance with Part 7 of the Law or the Act.

System Strength Service Provider has the same meaning as in Chapter 10 of the Rules.

tender cost means any cost AEMO incurs as a result of the making of this Order, carrying out a function conferred on it by this Order or complying with a requirement under this Order, but does not include any cost incurred by AEMO prior to the commencement of this Order.

transmission determination has the same meaning as in Chapter 10 of the Rules.

Transmission Network Service Provider has the same meaning as in Chapter 10 of the Rules.

SPECIFICATION OF AUGMENTATION AND NON-NETWORK SERVICES**3. Specified augmentation**

- (1) Each augmentation specified in the Schedule is a specified augmentation (**REZ stage 1 project augmentation**) for the purposes of Division 7 of Part 3 of the Act.
- (2) Each REZ stage 1 project augmentation is deemed to be an augmentation that is not a contestable augmentation.

4. Specified non-network services

Each of the non-network services specified in the Schedule are specified non-network services (**REZ stage 1 project non-network services**) for the purposes of Division 7 of Part 3 of the Act.

AEMO'S FUNCTIONS**5. AEMO required to carry out the functions conferred on it by this Order**

- (1) AEMO is required to carry out the functions in respect of:
 - (a) each REZ stage 1 project augmentation; and
 - (b) the REZ stage 1 project non-network services, conferred on it by this Order.

Note: 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 Law.

- (2) Except to the extent that this Order provides otherwise, nothing in this Order:
 - (a) limits AEMO's functions under the Law or 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.

6. AEMO's functions in respect of each REZ stage 1 project augmentation

AEMO is conferred the following functions in respect of each REZ stage 1 project augmentation:

- (a) issuing a request for proposal to the relevant incumbent declared transmission system operator to provide each REZ stage 1 project augmentation;
- (b) obtaining a detailed breakdown of the relevant incumbent declared transmission system operator's costs of providing each REZ stage 1 project augmentation, on an open book basis, including all supporting information and evidence and an associated financial model, including separable information for any:
 - (i) capital cost or saving;
 - (ii) operating cost or saving;
 - (iii) provision for risk;
 - (iv) rate of return;
 - (v) financing costs; and
 - (vi) other cost, contingency, allowance, margin or saving;
- (c) receiving and evaluating the response to the request for proposal referred to in paragraph (a);
- (d) preparing a request for proposal evaluation report;
- (e) negotiating a REZ stage 1 augmentation project document with the relevant incumbent declared transmission system operator;
- (f) seeking to obtain a legally binding REZ stage 1 augmentation project document from the relevant incumbent declared transmission system operator; and
- (g) any other function related to, or arising from, paragraphs (a) to (f).

7. AEMO's functions in respect of REZ stage 1 project non-network services

AEMO conferred the following functions in respect of the REZ stage 1 project non-network services:

- (a) issuing a call for expressions of interest to provide the REZ stage 1 project non-network services;
- (b) receiving and evaluating responses to the call for expressions of interest referred to in paragraph (a);
- (c) preparing a CEI evaluation report;
- (d) issuing an invitation to tender for the provision of REZ stage 1 project non-network services;
- (e) receiving and evaluating responses to the invitation to tender referred to in paragraph (d);
- (f) preparing an ITT evaluation report;
- (g) negotiating a REZ stage 1 non-network services project document with any preferred tenderer;
- (h) seeking to obtain a legally binding REZ stage 1 non-network services project document with any preferred tenderer; and
- (i) any other function related to, or arising from, paragraphs (a) to (h).

PERFORMANCE OF AEMO'S FUNCTIONS**8. No cost benefit analysis**

The following provisions do not apply to AEMO in performing the functions conferred on it by clause 6:

- (a) section 50F(2) or section 50F(3) of the Law;
- (b) rule 5.16 of the Rules; and
- (c) AEMO's planning criteria published in accordance with clause 8.11.4 of the Rules.

9. No system strength services or cost benefit analysis

- (1) In performing the functions conferred on it by clause 7, AEMO is deemed to not be performing those functions in its capacity as a System Strength Service Provider for a region.
- (2) The following provisions do not apply to AEMO in performing the functions conferred on it by clause 7:
 - (a) any obligation of a System Strength Service Provider for a region in rule 5.20C of the Rules;
 - (b) rule 5.16 of the Rules; and
 - (c) AEMO's planning criteria published in accordance with clause 8.11.4 of the Rules.

10. Evaluation and negotiation

AEMO must perform the functions conferred on it by:

- (a) subclause 6(c) and subclause 6(e) in a manner that accords with the processes set out in the request for proposal referred to in subclause 6(a);
- (b) subclause 7(b) in a manner that accords with the processes set out in the call for expressions of interest referred to in subclause 7(a);
- (c) subclause 7(e) and subclause 7(g) in a manner that accords with the processes set out in the invitation to tender referred to in subclause 7(d).

11. No agreement

AEMO must not enter into:

- (a) a REZ stage 1 augmentation project document; or
 - (b) a REZ stage 1 non-network services project document,
- unless and until any further Ministerial Order is made.

12. No application of section 50H of the Law

Section 50H of the Law does not apply to AEMO or a declared transmission system operator in respect of a REZ stage 1 augmentation agreement.

PROVISION OF INFORMATION**13. Provision of information by a declared transmission system operator**

- (1) A declared transmission system operator must provide:
 - (a) upon a 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 under clause 6 and clause 7.
- (2) Nothing in this clause 13 limits a declared transmission system operator's obligation or duty under the Law or the Rules.

COST RECOVERY**14. AEMO's costs**

- (1) Despite anything to the contrary in the Rules, a tender cost incurred by AEMO may be recovered through charges in respect of prescribed transmission services.
- (2) For the purposes of subclause 14(1), AEMO complying with this Order, or the incurring of a tender cost by AEMO, is deemed to be the provision of prescribed common transmission services.
- (3) The definition of *prescribed common transmission services* in the Rules is modified accordingly.
- (4) Despite anything to the contrary in the Rules:
 - (a) any tender cost forms part of AEMO's maximum allowed revenue for this and each relevant subsequent regulatory year;
 - (b) consequent on the above and despite anything to the contrary in the Rules, AEMO may publish amended prices for prescribed shared transmission services for the regulatory year commencing on 1 July 2022 to take effect from 1 July 2022;
 - (c) AEMO may amend its revenue methodology for this and each relevant subsequent regulatory year to provide for any tender cost; and
 - (d) AEMO is not required to consult with the public in respect of any amendment that is required to its revenue methodology in order to provide for any tender cost.

Notes:

See clause S6A.4.2 of the Rules.

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 Law or the Rules that otherwise apply to AEMO in respect of its maximum allowed revenue, revenue methodology or prices for prescribed common transmission services.

15. Declared transmission system operator's costs

- (1) Despite anything to the contrary in the Rules, the incurring of information provision costs by a declared transmission system operator, 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):
 - (a) clause 6A.7.3(a1) of the Rules; and
 - (b) the definitions of *pass through event*, *positive change event* and *materially in the Rules*,
are modified accordingly.

Dated 1 August 2021

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

SCHEDULE

SPECIFIED AUGMENTATION

1. South West REZ augmentation 1: BATS – TGTS – MLTS thermal loading control scheme.
2. South West REZ augmentation 2: HYTS – MLTS uprating (substation / auxiliary upgrade and dynamic line rating).
3. South West REZ augmentation 3: SYTS – KTS line uprating (station upgrade).
4. South West REZ augmentation 4: MLTS 220 kV transformer (station upgrade).
5. Murray River REZ augmentation 1: RCTS – KMTS – MRTS – HOTS – BGTS thermal loading control scheme.
6. Murray River REZ augmentation 2: RCTS – KMTS – MRTS – HOTS – BGTS MurrayLink runback control scheme for MurrayLink import.
7. Murray River REZ augmentation 3: ARTS, WBTS, BATS, BGTS and possibly KMTS station interplant upgrades.
8. Central North REZ augmentation 1: DDTS – GNTS – SHTS – BETS line thermal loading control scheme.
9. Central North REZ augmentation 2: DDTS 330 / 220 kV transformer (secondary cooling system).

SPECIFIED NON-NETWORK SERVICES

1. In respect of the Murray River REZ, a non-network service provided to AEMO for or with respect to the BETS-KGTS-WETS-RCTS-KMTS segment of the declared transmission system that increases the capability of the system to remain stable with connection of up to 300 MW of additional generation capacity in relation to that REZ and related services.
2. In respect of the Western Victoria REZ, a non-network service provided to AEMO for or with respect to the BATS-WBTS-ARTS-CWTS-HOTS-MRTS segment of the declared transmission system that increases the capability of the system to remain stable with connection of up to 600 MW of additional generation capacity in relation to that REZ and related services.

3. In respect of the South West REZ, a non-network service provided to AEMO for or with respect to the MLTS-HGTS-TRTS-MOPS-HYTS-APD segment of the declared transmission system that increases the capability of the system to remain stable with connection of up to 600 MW of additional generation capacity in relation to that REZ and related services.

In this schedule, each of the abbreviations has the following meaning:

APD	Alcoa Portland Terminal Station
ARTS	Ararat Terminal Station
BATS	Ballarat Terminal Station
BETS	Bendigo Terminal Station
BGTS	Bulgana Terminal Station
CWTS	Crowlands Terminal Station
DDTS	Dederang Terminal Station
GNTS	Glenrowan Terminal Station
HGTS	Haunted Gully Terminal Station
HOTS	Horsham Terminal Station
HYTS	Heywood Terminal Station
KGTS	Kerang Terminal Station
KMTS	Kiamal Terminal Station
KTS	Keilor Terminal Station
MLTS	Moorabool Terminal Station
MOPS	Mortlake Power Station
MRTS	Murrawarra Terminal Station
RCTS	Red Cliffs Terminal Station
SHTS	Shepparton Terminal Station
SYTS	Sydenham Terminal Station
TGTS	Terang Terminal Station
TRTS	Tarrone Terminal Station
WBTS	Waubra Terminal Station
WETS	Wemen Terminal Station

**Reasons for Making REZ Stage 1 Projects 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 REZ Stage 1 Projects Ministerial Order under section 16Y of the Act.

As Victoria's ageing coal-fired power stations retire, a significant volume of new renewable generation and storage capacity will be needed over the coming decades to meet community expectations of climate change goals, and to achieve better energy affordability and reliability outcomes for consumers. Victoria has an abundance of renewable energy resources but faces limited existing network capacity in locations with the highest renewable potential.

The recent rapid growth in renewable energy generation capacity has presented challenges for Victoria's transmission network. Thermal constraints are emerging in many parts of the network, limiting available capacity to host renewable generation. The ability to maintain stability on the system is also being challenged as more renewable energy projects are connecting. A lack of hosting capacity on parts of the network are causing operational curtailment of some generators, while delaying or preventing the connection of pipeline projects.

Taking into consideration the immediate, medium and long-term needs of the national electricity system, including needs relating to the reliability, safety and security of the national electricity system and the options available under the National Electricity Law and the National Electricity Rules to address the crucial electricity system need in Victoria, the Victorian Government has decided to immediately progress a series of network investment projects to address thermal constraints and strengthen the reliability of the system (REZ Stage One Projects).

Accordingly, AEMO has been requested to undertake:

- a two-stage competitive procurement process to strengthen the system to support up to 1500 MVA_r of new generation across the Murray River, Western Victoria and South West REZs; and
- a request for proposal process with the relevant Declared Transmission Service Operator (DTSO), to procure up to three sets of minor network upgrades across the Murray River, South West and Central North REZs.

The Ministerial Order enables AEMO to undertake the calls for expressions of interest, the tender and the requests for proposal process.

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

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658 Church Street,
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