



# Victoria Government Gazette

No. S 600 Wednesday 26 October 2022  
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## National Electricity (Victoria) Act 2005

### FOURTH REZ STAGE 1 PROJECTS MINISTERIAL ORDER

I, Lily D'Ambrosio, Minister for Energy 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](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, the following words have the following definitions:

**AEMO** has the same meaning as in the Law.

**AEMO's contracting costs** means the costs 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, including (without limitation) any:

- (a) amounts payable by AEMO under a Western REZ stage 1 project document entered into by AEMO in accordance with clause 5, or imposed by law in connection with that document; and
- (b) other costs AEMO incurs in performing, complying with, administering, managing or enforcing an offer deed or a Western REZ stage 1 project document entered into by AEMO in accordance with clause 5,

but does not include:

- (c) any costs incurred by AEMO prior to the commencement of this Order;
- (d) tender costs;
- (e) any costs for which AEMO is reimbursed, or is to be reimbursed, by the State.

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

Note: See also Ministerial Order under section 30 of the Act made 26 June 2009, published in Special Gazette S 222 on 30 June 2009, which initially described the declared transmission system.

**first REZ stage 1 projects Ministerial Order** means the Ministerial Order made under section 16Y of the Act and published in Special Gazette S 417 on 3 August 2021.

**Law** means the National Electricity (Victoria) Law.

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

**offer deed** means a deed under which the Western REZ stage 1 non-network service provider makes a binding offer to AEMO to provide the Western REZ stage 1 non-network services.

**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.

**SPECIAL**

**REZ** means renewable energy zone.

**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** has the same meaning as in the first REZ stage 1 projects Ministerial Order.

**Western REZ stage 1 non-network service provider** means Transmission Operations (Australia) 3 Pty Ltd ACN 663 168 401.

**Western REZ stage 1 non-network services agreement** means a services agreement between AEMO and the Western REZ stage 1 non-network service provider under which AEMO is to be provided with Western REZ stage 1 non-network services.

**Western REZ stage 1 project document** means:

- (a) a Western REZ stage 1 non-network services agreement; or
- (b) a financier tripartite deed with the Western REZ stage 1 non-network service provider and any financier of the Western REZ stage 1 non-network service provider relating to the Western REZ stage 1 non-network services agreement.

### **SPECIFICATION OF NON-NETWORK SERVICES**

#### **3. Specified non-network services**

The non-network services specified in the Schedule are specified non-network services (**Western REZ stage 1 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) AEMO is required to carry out the functions in respect of the Western REZ stage 1 non-network services 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 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.

#### **5. AEMO's functions in respect of Western REZ stage 1 non-network services**

AEMO is conferred the following functions:

- (1) entering into:
  - (a) a Western REZ stage 1 non-network services agreement; and
  - (b) any other Western REZ stage 1 project document necessary or convenient to enable AEMO to procure the Western REZ stage 1 non-network services,
 following the issue of an invitation to tender for the Western REZ stage 1 non-network services, the evaluation of responses submitted in response to that invitation to tender and any negotiation with the Western REZ stage 1 non-network service provider or its related bodies corporate, or any other tenderer, by AEMO in accordance with clause 7 and clause 10 of the first REZ stage 1 projects Ministerial Order;

Note: See section 16X(1)(a), section 16Y(2)(l) of the Act.

- (2) exercising and enforcing its rights under or in respect of any Western REZ stage 1 project document entered into in accordance with subclause (1); and
- (3) any other function related to, or arising from, subclause (1) or (2).

**PERFORMANCE OF AEMO'S FUNCTIONS****6. No system strength services or cost benefit analysis**

- (1) In carrying out the functions conferred on it by clause 5, AEMO is deemed to not be carrying out those functions in its capacity as a System Strength Service Provider for a region.
- (2) The following provisions do not apply to AEMO in carrying out the functions conferred on it by clause 5:
  - (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.

**COST RECOVERY****7. AEMO's costs**

- (1) Despite anything to the contrary in the Rules, AEMO's contracting costs may be recovered through charges in respect of prescribed transmission services.
- (2) For the purposes of subclause (1), AEMO complying with this Order, or the incurring of AEMO's contracting costs, 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) AEMO's contracting costs form 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 2023 to take effect from 1 July 2023;
  - (c) AEMO may amend its revenue methodology for this and each relevant subsequent regulatory year to provide for AEMO's contracting costs; 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 AEMO's contracting costs.

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.

Dated 26 October 2022

HON. LILY D'AMBROSIO MP  
Minister for Energy

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**SCHEDULE****SPECIFIED NON-NETWORK SERVICES**

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.

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

|      |                              |
|------|------------------------------|
| ARTS | Ararat Terminal Station      |
| BATS | Ballarat Terminal Station    |
| CWTS | Crowlands Terminal Station   |
| HOTS | Horsham Terminal Station     |
| MRTS | Murra Warra Terminal Station |
| WBTS | Waubra Terminal Station      |

**REASONS FOR MAKING THE FOURTH 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 Fourth REZ Stage 1 Projects Ministerial Order under section 16Y of the Act.

As noted in the reasons for making the First REZ Stage 1 Projects Ministerial Order (Victoria Government Gazette, No. S 417, 3 August 2021) 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. Under the national market rules and the regulatory framework, the Australian Energy Market Operator (AEMO), as the Victorian Transmission System Planner, was unable to undertake sufficient and timely anticipatory development of transmission system hosting capacity. 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. To alleviate these concerns, the Victorian Government decided to progress the REZ Stage 1 Projects to strengthen the reliability of the system, after careful assessment that the benefits to Victorian consumers would outweigh the costs.

Accordingly, under the First REZ Stage 1 Projects Ministerial Order, AEMO was empowered to undertake a two-stage competitive procurement process for non-network services to strengthen the system to support up to 600 MW of additional generation capacity in the Western Victoria REZ.

AEMO has concluded that tender process for the Western Victoria REZ and recommended to the Victorian Government that Transmission Operations (Australia) 3 Pty Ltd (TOA), a wholly owned subsidiary of Australian Energy Operations Pty Ltd, provides the non-network services to strengthen the system in the Western Victoria REZ utilising a new 250 MVA synchronous condenser being developed at a site next to the Ararat Terminal Station.

The tender process found that the services provided by the proposed synchronous condenser facility will improve system strength in the Western Victoria region to facilitate new connections, unlocking up to 600 MW of renewable energy generation. Independent analysis based on AEMO's recommendation confirmed that the proposed synchronous condenser facility will provide the necessary services with a positive benefits to costs ratio, allowing Victorian consumers to access more cost-effective renewable generation.

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 needed in Victoria, the Victorian Government has decided to progress the recommended approach for the Western Victoria REZ to strengthen the system for additional generator capacity.

Accordingly, this Fourth REZ Stage 1 Projects Ministerial Order directs AEMO to enter into a contract with TOA to supply the non-network services to strengthen the system in the Western Victoria REZ. The costs to provide the service will be paid on an annuity basis upon commencement of commercial operations of the synchronous condenser facility by the Victorian Government's \$540 million REZ Fund established to invest in needed network infrastructure.

HON. LILY D'AMBROSIO MP  
Minister for Energy

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