



# Victoria Government Gazette

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## National Electricity (Victoria) Act 2005

### VNI WEST AND WRL MINISTERIAL ORDER

I, Lily D'Ambrosio, Minister for Minister for Energy and Resources 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, 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.deeca.vic.gov.au](http://www.deeca.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:

**Act** means the **National Electricity (Victoria) Act 2005**.

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

**AEMO's costs** means costs incurred by AEMO 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 and:

- (a) in respect of costs incurred by AEMO before the date of this Order, is limited to costs incurred in carrying out any function under clause 6.1;
- (b) in respect of costs paid to a declared transmission system operator in respect of a WRL Project Document, is limited to increases in amounts that AEMO is obliged to pay under a WRL Project Document arising from:
  - (i) delays; or
  - (ii) the declared transmission system operator preparing, providing or negotiating a proposed variation, as a result of a direction, proposal or order given by AEMO,

but does not include costs:

- (c) for which AEMO is reimbursed or is to be reimbursed by the State or the Commonwealth; or
- (d) in respect of which AEMO receives funding through a State or Commonwealth grant program and which does not need to be repaid by AEMO.

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

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

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

**early works** are defined in clause 6.1(f).

**identified need** has the same meaning as in Chapter 10 of the Rules.

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

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

**SPECIAL**

**participating jurisdiction** means another State or Territory of Australia that has adopted the national electricity law set out in the schedule to the **National Electricity (South Australia) Act 1996** of South Australia.

**PADR** means a project assessment draft report as defined in clause 5.10.2 of the Rules.

**PACR** means a project assessment conclusions report as defined in clause 5.10.2 of the Rules.

**Project Energy Connect** means the electricity interconnector currently under construction between Robertstown in South Australia and Wagga Wagga in New South Wales and connecting into Red Cliffs Terminal Station in Victoria.

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

**prescribed transmission services** 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.

**RIT-T** means a regulatory investment test for transmission as defined in Chapter 10 of the Rules.

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

**specified augmentation** means each of the augmentations specified in clause 3 and clause 4, as the context requires.

**Transgrid** means NSW Electricity Networks Operations Pty Limited as trustee for NSW Electricity Networks Operations Trust, trading as Transgrid.

**VicGrid** means the Victorian Department of Energy, Environment and Climate Action (VicGrid division).

**VNI West** means the augmentation described in clause 3.

**VNI West PACR** means the PACR (when published) as part of the VNI West RIT-T process.

**VNI West PADR** means the PADR published on 29 July 2022 as part of the VNI West RIT-T process.

**VNI West construction agreement** means a project agreement and/or network services agreement under which AEMO procures any of the carrying out of the construction, operation and maintenance of VNI West, but does not include any agreement under which AEMO procures services relating to the early works.

**VNI West RIT-T** means the RIT-T for VNI West being jointly conducted by AEMO and Transgrid.

**Western Renewables Link** or **WRL** means the augmentation described in clause 4.

**WRL PACR** means the Western Victoria Renewable Integration PACR published by AEMO on 19 July 2019.

**WRL Project Document** means any document to which AEMO and a declared transmission system operator is a party in relation to the WRL.

## SPECIFICATION OF AUGMENTATION

### 3. Specified augmentation – VNI West

The carrying out of all works to construct a new high-capacity transmission line between Victoria and New South Wales connecting the Western Renewables Link with Project Energy Connect to meet the identified need described in the VNI West PADR and VNI West PACR and all associated works, insofar as such works are an augmentation of the declared transmission system, is a specified augmentation for the purposes of Division 7 of Part 3 of the Act.

#### 4. Specified augmentation – WRL

The carrying out of all works to meet the identified need described by AEMO in the WRL PACR, including but not limited to:

- (a) proposed high voltage transmission lines,
- (b) new terminal stations, and
- (c) all associated works, insofar as such works relate to the declared transmission system, is a specified augmentation 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

5.1 AEMO is required to carry out the functions in respect of the specified augmentations conferred on it by this Order.

Note 1: 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.

Note 2: Functions conferred on AEMO by this Order may be modified or abrogated by further Order: section 16Y of the Act.

5.2 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 in respect of the declared transmission system.

#### 6. AEMO's functions in respect of the specified augmentations

6.1 AEMO is conferred the following functions in respect of the specified augmentations:

- (a) assessing alternate options to the preferred options described in the VNI West PADR and the WRL PACR to facilitate and expedite the development, delivery, construction and energisation of the specified augmentations or otherwise better meet a crucial national electricity system need in Victoria or in Victoria and another participating jurisdiction, including options in relation to:
  - (i) alternate routes, nodes, terminal stations and transmission network design,
  - (ii) other augmentations of the declared transmission system, and
  - (iii) changes to the WRL;
- (b) assessing the potential costs of any options assessed under paragraph (a);
- (c) consulting with stakeholders including VicGrid on draft outcomes of these assessments;
- (d) consulting with VicGrid in relation to the VNI West PACR;
- (e) negotiating and entering into variations to any WRL Project Documents that are necessary or desirable to enable AEMO to undertake the functions in sub-paragraphs (a), (b) and (c) of this clause and enforcing and complying with those varied documents;
- (f) carrying out or procuring the carrying out of early works (including by means of sub-contracting), for the specified augmentations, including but not limited to:
  - (i) project initiation, including future planning, design and procurement activities such as pre-contracting activities for engineering, procurement and construction contracts;
  - (ii) costs estimation;
  - (iii) desktop and in-field studies and investigations;
  - (iv) environmental surveys and geotechnical studies and investigations;
  - (v) environment effects statement preparation;

- (vi) assessment of applications for planning, environmental and other approvals and licences;
  - (vii) stakeholder engagement with local communities, landowners, government departments, local councils, registered aboriginal parties and others;
  - (viii) land use planning;
  - (ix) route identification, refinement and selection;
  - (x) site investigation and selection;
  - (xi) land and easement assessment;
  - (xii) entering into land access arrangements including licences and options;
  - (xiii) developing biodiversity offset strategies;
  - (xiv) detailed engineering design; and
  - (xv) subject to clause 6.2, the procurement and disposal of long lead time items of capital equipment for use in the construction or operation of VNI West, (together, the early works);
  - (g) entering into, and complying with, agreements with VicGrid in relation to any aspects of the functions conferred on AEMO by this Order including:
    - (i) in relation to the operation of the subsidiary company referred to in clause 6.6, and
    - (ii) for the purpose of consulting, information sharing and reporting;
  - (h) any other function related to or arising from paragraphs 6.1(a) to 6.1(g) above.
- 6.2 AEMO's procurement and disposal of capital equipment under clause 6.1(f)(xv) is subject to the prior approval of:
- (a) the Board of AEMO; and
  - (b) the Minister.
- 6.3 For the avoidance of doubt, AEMO may commence the early works under clause 6.1 prior to publication of the VNI West PACR or the outcome of the assessments referred to in clause 6.1.
- 6.4 AEMO must not enter into a VNI West construction agreement without the prior approval of the Minister or a further Ministerial Order.
- 6.5 AEMO must not vary a WRL Project Document to implement an option other than the preferred option under the WRL PACR without the prior approval of the Minister or a further Ministerial Order.
- 6.6 AEMO may carry out any or all of the functions conferred under this Order through a wholly owned subsidiary company.

#### **MODIFICATION OF LAW AND RULES**

- 6.7 VNI West and any variations to the WRL in order to implement an option other than the preferred option under the WRL PACR are not contestable augmentations and the definition of contestable augmentation and clause 8.11.3 of the Rules are modified accordingly.
- 6.8 The following provisions do not apply in respect of the specified augmentations or any of AEMO's functions under this Order:
- (a) sections 50F(2), 50F(3) and 50H of the Law;
  - (b) rules 5.15A, 5.16, 5.16A and 5.16B of the Rules;
  - (c) clauses 8.11.4, 8.11.6, 8.11.7, 8.11.8, 8.11.9 and Schedule 8.11 of the Rules; and
  - (d) AEMO's planning criteria published in accordance with clause 8.11.4 of the Rules.

**RIT-T**

- 6.9 Despite clause 6.8, AEMO must prepare and publish a PACR for VNI West with Transgrid.
- 6.10 For the avoidance of doubt, the making of this Order, anything done pursuant to this Order, and any circumstance consequential on, related to or arising from this Order, shall not constitute a material change in circumstances in respect of the VNI West RIT-T or WRL RIT-T for the purposes of clauses 5.16.4 and 5.16A.4 of the Rules.

**PROVISION OF INFORMATION****7. Provision of information by a declared transmission system operator**

- 7.1 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.
- 7.2 Nothing in this Order limits a declared transmission system operator's obligation or duty under the Law or the Rules.

**COST RECOVERY****8. AEMO's costs recoverable as a TUOS**

- 8.1 Despite anything to the contrary in the Rules, AEMO's costs may be recovered through charges in respect of prescribed transmission services.
- 8.2 For the purposes of clause 8.1, AEMO complying with this Order, including without limitation the carrying out by AEMO of the functions specified in clause 6 or the incurring of AEMO's costs, is deemed to be the provision of prescribed common transmission services.
- 8.3 The definition of prescribed common transmission services in the Rules is modified accordingly.
- 8.4 Despite anything to the contrary in the Rules:
- (a) AEMO's 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 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 any of AEMO's 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.

- 8.5 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 15 February 2023

HON. LILY D'AMBROSIO  
Minister for Energy and Resources

**SCHEDULE**

**REASONS FOR MAKING THE VNI WEST 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 West Ministerial Order under section 16Y of the Act.

HON. LILY D'AMBROSIO  
Minister for Energy and Resources

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**National Electricity (Victoria) Act 2005****REASONS FOR MAKING THE VICTORIA NEW SOUTH WALES  
INTERCONNECTOR WEST AND WESTERN RENEWABLES LINK  
MINISTERIAL ORDER UNDER SECTION 16Y OF THE  
NATIONAL ELECTRICITY 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 Victoria New South Wales Interconnector West (VNI West) and Western Renewables Link (WRL) Ministerial Order under section 16Y of the Act.

The Victorian Government is committed to the transition of the energy sector from fossil-fuelled generation to renewable energy generation to meet our climate change targets of net-zero emissions by 2045, while also providing reliable, secure, and affordable energy. As Victoria's ageing coal-fired power stations retire, a significant volume of new renewable generation and storage capacity will be needed in coming decades to meet electricity system needs, supported by upgrades to Victoria's transmission network.

Victoria's ageing coal plants may retire earlier than anticipated. The reliability of Victoria's coal-fired generation is declining and plants could suffer increasing rates of unplanned and potentially prolonged outages as they age. This, and the penetration of cheaper renewables into the electricity system, has seen retirement dates for coal-fired power plants increasingly brought forward across the National Electricity Market (NEM), including in Victoria.

A lack of hosting capacity on parts of the network will cause operational curtailment of some renewable generators while also delaying or preventing the connection of pipeline projects. The Victorian Government is taking significant steps to ensure an orderly transition to renewable generation and storage, including through investments in near-term transmission upgrades to unlock hosting capacity in Renewable Energy Zones (REZs) and alleviate network constraints. To meet electricity system needs over the medium to long-term, the Australian Energy Market Operator's (AEMO)'s 2022 Integrated System Plan (ISP) recommends progressing large-scale actionable transmission projects including VNI West as urgently as possible.

VNI West will significantly strengthen Victoria's supply reliability by providing access to replacement dispatchable capacity across the NEM when coal retires, including long duration storage available through the proposed Snowy 2.0 project. VNI West will also provide hosting capacity for local renewable development in adjacent REZs and increase electricity supply between Victoria and NSW. WRL is an anticipated network project in the ISP which connects VNI West to Victoria's broader electricity grid including renewable generation across the state, while also alleviating network constraints and increasing hosting capacity in Victoria's west.

The Victorian Government is committed to accelerating VNI West to ensure a reliable, secure and affordable supply of electricity to all Victorians.

Taking steps aimed at potentially accelerating VNI West provides strategic protection against the risk of early coal retirement or unplanned outages, where sufficient replacement dispatchable capacity may not otherwise be available in the electricity system by enabling earlier than anticipated access to replacement electricity supply and dispatchable capacity in across the NEM, including through Snowy 2.0. Any acceleration of VNI West would also provide Victorian generators including future offshore wind generators with earlier export opportunities into those northern jurisdictions to support reliability and security of supply in other NEM states. Earlier delivery of transmission infrastructure, including interconnection between NEM regions, can also mitigate against gas supply scarcity and high electricity prices currently experienced across the NEM by enabling hosting capacity for low-cost renewables.

The expected cost of seeking earlier delivery of VNI West is likely to be significantly outweighed by the high costs electricity consumers could potentially pay if the project is delayed beyond the point of earlier coal closure or major unplanned outages and sufficient replacement capacity is not readily available. Stronger interconnection to the NEM through VNI West also reduces risks to the reliability and security of supply of electricity to Victoria and the risk of increased potential costs to



consumers of other options such as gas plants, pumped hydro or batteries, which are expected to be inefficient and costly ways to meet electricity system needs during this period.

To support timely delivery of VNI West AEMO, as Victorian Transmission System Planner, is undertaking additional analysis on alternative options for VNI West. These options include alternative connection points into WRL which could mitigate against project delivery risks and delays while also better responding to the needs of stakeholders and local communities. AEMO has also developed a proposed project early works program for the Victorian portion of VNI West which would bring forward project development activities including project initiation, stakeholder engagement, land use planning, detailed engineering design, enabling the commencement of assessments and surveys for planning and environmental approvals in 2023.

AEMO is constrained by the National Electricity Rules and National Electricity Law (NEL) from taking actions necessary to accelerate the development and delivery of these transmission projects, including the potential fast-tracking of early works and the selection of project options which provide greater certainty over timely project completion by better reflecting community needs.

Considering AEMO's advice on the forecast amount of generation in the national electricity system, the medium and long-term needs of the national electricity system as coal-fired generation becomes increasingly unreliable and retires, including needs relating to system reliability, safety and security, and the options under the NEL and NER to address this need, including the associated costs, I have decided to make a Ministerial Order under the Act to enable AEMO to undertake activities which could accelerate VNI West by up to one year ahead of its nominal 2031 completion date. In my view, taking these steps is the only option which has the potential to deliver acceleration of VNI West and the benefits expected from such an acceleration in meeting crucial national electricity system needs as coal retires.

Accordingly, this Ministerial Order authorises the immediate commencement of AEMO-led early works and the assessment and selection of alternative project options, including associated changes to WRL, which could minimise delivery and timing risks at reasonable cost to consumers. The Order would facilitate AEMO working to undertake spring surveys as part of planning and environmental approvals for VNI West from the third quarter of 2023, a year earlier than anticipated under the ISP.

Bringing forward early works activities provides option value to the State by preserving the viability of earlier project completion to meet electricity system needs. By progressing early works as part of staged project implementation, the Order provides additional flexibility to respond to uncertainties around the anticipated timing of coal retirement or potential delays to transmission projects due to, for example, supply chain disruptions or complex planning and environmental approvals processes. The Ministerial Order also mitigates against delay risks by removing the need under the NER to re-apply the VNI West RIT-T or WRL RIT-T due to a relevant material change in circumstance.

AEMO costs in carrying out these activities under the Ministerial Order will be apportioned to customers in accordance with the existing rules and procedures for transmission charges relating to common transmission service costs.

I have applied appropriate additional oversight mechanisms for the State through the terms of the order. The State intends to use its regulatory and contracting powers to continue to provide additional oversight, as appropriate, over the course of the VNI West and WRL projects.

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