



Victoria Government Gazette

No. S 267 Saturday 27 May 2023
By Authority of Victorian Government Printer

National Electricity (Victoria) Act 2005

VNI WEST AND WRL MINISTERIAL ORDER

I, Lily D'Ambrosio, 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 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:

20 February Order means the Order made by the Minister under section 16Y of the Act dated 15 February 2023 and published in Special Gazette No. S 60 on 20 February 2023.

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) includes the costs of carrying out or procuring the carrying out of the functions under clause 4.6(a) or 4.6(b), including those paid to a declared transmission system operator;
- (b) includes costs that AEMO is obliged to pay to a declared transmission system operator for responding to a request by AEMO in connection with the performance of the functions conferred under clause 4.6; and
- (c) in respect of costs paid to a declared transmission system operator in respect of a WRL Project Document, is limited to costs that AEMO is obliged to pay under a WRL Project Document pursuant to a variation under clause 4.6(g), or arising from:
 - (i) delays or suspensions of work; and
 - (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:

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

Note: nothing in this definition limits the definition of AEMO's costs in the 20 February Order.

AER means the Australian Energy Regulator.

augmentation has the same meaning as in the Law.

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

SPECIAL

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

Note: 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.

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.

PACR means a project assessment conclusions report setting out an assessment of the options for VNI West required to be published under clause 4.4 of this Order.

PADR means a project assessment draft 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 clauses 3.1, 3.2, 3.4 and 3.5, 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 specified in clause 3.1.

VNI West construction agreement has the same meaning as given under the 20 February Order.

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

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

WRL means the augmentation described in clause 3.4.

WRL Uprate means the augmentation specified in clause 3.5.

WRL PACR means the Western Victoria Renewable Integration Project Assessment Conclusion Report 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.

3. SPECIFICATION OF AUGMENTATION

Specified augmentation – VNI West

- 3.1 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 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 (VNI West)
- 3.2 Without limiting clause 3.1, the carrying out of all works specified in Schedule 1 is a specified augmentation for the purposes of Division 7 of Part 3 of the Act, insofar as such works are an augmentation of the declared transmission system.
- 3.3 For the avoidance of doubt, all works carried out by AEMO under clause 6 of the 20 February Order (and whether before or after the date of this Order) in respect of VNI West are part of the specified augmentation.

Specified augmentation – WRL

- 3.4 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.

Specified augmentation – WRL Uprate

- 3.5 Without limiting clause 3.4, the carrying out of all works specified in Schedule 2, 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.

4. AEMO'S FUNCTIONS

Functions conferred on AEMO by this Order

- 4.1 AEMO must carry out the functions in respect of VNI West conferred on it by this Order under clause 4.4.
- 4.2 AEMO may carry out any of the functions in respect of the WRL Uprate conferred on it by this Order under clause 4.6.
- 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.
- 4.3 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 sub-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.

AEMO's functions in respect of the VNI West

- 4.4 AEMO is conferred the function of preparing and publishing a PACR with TransGrid for VNI West.
- 4.5 For the purposes of the PACR for VNI West to be published under clause 4.4, AEMO is required to identify the augmentation specified in clause 3.2 as the preferred option.

AEMO's functions in respect of the WRL Uprate

4.6 AEMO is conferred the following functions in respect of the WRL Uprate:

- (a) carrying out or procuring the carrying out of the following functions:
 - (i) investigation, testing and surveying of land associated with designing the WRL Uprate;
 - (ii) costs estimation;
 - (iii) engineering and electrical design work;
 - (iv) project and procurement planning;
 - (v) land use planning and landholder consultation;
 - (vi) stakeholder engagement with local communities, landowners, government departments, local councils, registered aboriginal parties and others; and
 - (vii) assessment of planning, environmental effects assessment and approval requirements;
- (b) subject to clause 4.9, the procurement and disposal of long lead time items of capital equipment for use in the construction or operation of the WRL Uprate;
- (c) obtaining a detailed breakdown of the costs of procuring the WRL Uprate, on an open book basis, from declared transmission system operators including all supporting information and evidence and an associated financial model, including separate 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;
- (d) issuing requests for proposal(s) in respect of the WRL Uprate and considering any such proposals once received;
- (e) discussing and negotiating in principle amendments to the WRL Project Documents in connection with the WRL Uprate;
- (f) preparing a report and recommendations, which AEMO must provide to the Minister, as to the options for carrying out the WRL Uprate;
- (g) negotiating and entering into variations to WRL Project Documents that are necessary or desirable to enable AEMO to undertake the functions referred to in clauses 4.6(a) to 4.6(c) of this Order and enforcing and complying with those varied documents;
- (h) any other function related to, or arising from, the above, including, for the avoidance of doubt:
 - (i) conferring with the AER;
 - (ii) obtaining the services of experts and consultants to assist AEMO; and
 - (iii) conferring with the State and its representatives, officers, agents, employees, advisers and consultants.

Other

- 4.7 The functions conferred under clauses 6.1(a), 6.1(b), 6.1(c), 6.1(e) and 6.9 of the 20 February Order are revoked.
- 4.8 Subject to clause 4.7, the functions conferred under clause 4.6 of this Order are in addition to the functions conferred on AEMO by the 20 February Order and the functions under clause 6.1(f) of the 20 February Order extend to VNI West being the specified augmentation referred to in clause 3.1.
- 4.9 AEMO must not:
- (a) vary a WRL Project Document to implement an option other than the preferred option under the WRL PACR; or
 - (b) enter into an agreement pursuant to clause 4.6(b),
- save as expressly authorised under this Order or the 20 February Order, without the approval of the Minister or a further Ministerial Order.

Note 1: nothing in clause 4.9 applies to an existing obligation or right under a WRL Project Document.

Note 2: nothing in clause 4.9 prevents or restricts the parties to a WRL Project Document varying that document as a result of claim or circumstance that existed before the date of this Order.

Note 3: nothing in this Order authorises AEMO to enter into a VNI West construction agreement.

5. MODIFICATION OF LAW AND RULES

- 5.1 VNI West and the WRL Uprate are not contestable augmentations and the definition of contestable augmentation and clause 8.11.3 of the Rules are modified accordingly.
- 5.2 The following provisions do not apply in respect of the augmentations specified under this Order or to any of AEMO's functions conferred under this Order:
- (a) sections 50F(2), 50F(3) and 50H of the Law;
 - (b) clauses 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.

6. VNI WEST AND WRL RIT-T

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 the WRL RIT-T for the purposes of clauses 5.16.4 and 5.16A.4 of the Rules.

7. PROVISION OF INFORMATION

- 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, proposal and assistance as is reasonably required by AEMO for AEMO to perform the functions conferred on it under clause 4.6.
- 7.2 Nothing in this Order limits a declared transmission system operator's obligation or duty under the Law or the Rules.

8. COST RECOVERY**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 carrying out of any of the functions conferred by this Order 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, 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.
- Note 1: see clause S6A.4.2 of the Rules.
- Note 2: 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.

9. SAVINGS

- 9.1 Nothing in this Order invalidates or limits anything done under the 20 February Order.
- 9.2 The 20 February Order continues in full force and effect, save as modified by this Order.

Dated 26 May 2023

HON. LILY D'AMBROSIO
Minister for Energy and Resources

SCHEDULE 1**PREFERRED OPTION – VNI WEST**

Construction of a new 500 kV double-circuit overhead line from a new terminal station near Kerang to Dinawan crossing the Murray river north of Kerang to Bulgana Terminal Station (BGTS), including series compensation on the line near Kerang and 500 kV line shunt reactors at both ends of each 500 kV line segment.

Construction of a new terminal station near Kerang, with two 500/220 kV 1,000 MVA transformers and up to +/- 400 MVAR dynamic reactive compensation on the 220 kV network.

Construction of 220 kV connections from the new terminal station near Kerang to the existing 220 kV lines near Kerang.

Construction of two new 500 kV bays and line exits with a total of two 500 kV line shunt reactors at the BGTS.

Modular power flow controllers or other equipment to prevent overloading on 330 kV lines between Upper/Lower Tumut and South Morang and 220 kV lines between Dederang and Thomastown.

Minor augmentations at existing terminal stations impacted by the above works.

Refinement to the works specified above required as a result of further investigation, design and planning.

Any works consequential, or related, to those specified above.

SCHEDULE 2**SPECIFIED AUGMENTATION – WRL UPRATE**

Extension of the 500 kV Sydenham Terminal Station (SYTS) by two breaker and a half switched bays.

Additional 500 kV switched bus connected reactor sized approximately 100 MVar.

Rerouting of the existing No. 1 Sydenham to South Morang and Sydenham to Keilor 500 kV Transmission Lines to terminate into new bays.

Construction of new 220kV circuit breakers and a second 220kV bus at BGTS.

Construction of a new 500 kV double circuit transmission line from SYTS to BGTS with switched estimated 70 MVar shunt line reactors at the end of each circuit.

Extension of the existing 220kV BGTS to construct an adjacent 500kV switchyard, including two 500/220 kV 1000 MVA transformers, transmission line realignment, site provisioning and line cut in works for the existing Bulgana to Horsham 220kV transmission line and Crowlands to Bulgana 220kV transmission line.

Installation of new 220kV circuit breakers at Ballarat Terminal Station (BATS) to establish double switching on the existing 220kV bays.

Cut-in, termination and switching of the existing Ballarat to Moorabool No.2 220kV transmission line at Elaine Terminal Station (ELTS), forming Ballarat to Elaine No.2 line and Elaine to Moorabool No.2 line.

Re-alignment and switching of the existing Ballarat to Elaine transmission line and Elaine to Moorabool transmission lines at ELTS and renaming them to Ballarat to Elaine No.3 line and Elaine to Moorabool No.3 line.

Interface activities at various terminal stations including, but not limited to:

- a) special control scheme requirements;
- b) overhead earth wire (OHEW) and optical ground wired (OPGW) requirements;
- c) secondary settings and physical requirements.

Minor augmentations at existing terminal stations impacted by the above works.

Refinement to the works specified above required as a result of further investigation, design and planning.

Any works consequential, or related, to those specified above.

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 and WRL Ministerial Order under section 16Y of the Act.

RELEVANT BACKGROUND MATTERS

Introduction

1. Victoria is facing increasing electricity generation, transmission, reliability and capacity concerns, as its thermal coal generators age and become increasingly unreliable, close or are scheduled to close.
2. Victoria's generation, transmission and storage assets are also part of and interconnect with the National Electricity Market (**NEM**), allowing the scheduling, sharing and most efficient and cost effective use of resources. This interconnection depends on strong and stable transmission connections between the declared transmission system in Victoria (**DTS**) and the rest of the National Electricity Market, with sufficient redundancy and backups to deal with outages and extreme weather events.
3. New renewable generators (principally wind and solar) are also being built in Victoria, largely in regional areas where there may not be sufficient existing transmission capacity.
4. In addition to the matters noted above relating to the security and reliability of supply of electricity in Victoria, the Victorian government is also committed to transitioning the electricity system from fossil fuels to renewable generation and storage to meet energy needs and climate change targets of net zero emissions by 2045, as part of Victoria's Climate Change Strategy.

Reliability and capacity concerns raised by the transmission planner

5. The Australian Energy Market Operator (**AEMO**) is the transmission planner for the Victorian DTS (in that capacity, referred to as **AVP**). AEMO has warned of increasing risks to the reliability and security of the State's electricity supply.
6. In making this Order, I have considered and taken into account AEMO's warnings and recommendations, as is appropriate given AEMO's roles as the transmission planner for the NEM and as AVP for Victoria. In particular, I have had regard to AEMO's:
 - 6.1 2020 and 2022 Integrated System Plans (**ISP**);
 - 6.2 2022 Electricity Statement of Opportunities (**ESOO**); and
 - 6.3 2022 ESoo update (**ESoo Update**); and
 - 6.4 Victorian Annual Planning Report October 2022 (**Planning Report**).
7. AEMO has stated that:
 - 7.1 coal generation is becoming increasingly unreliable (2022 ISP, page 25 and 2022 ESoo pp 7, 46 – figure 20);
 - 7.2 there are predicted increases in the frequency and duration of forced and unplanned coal outages due to forecast generator retirements, which create reliability risks to Victoria (2022 ESoo, pp 56–58);
 - 7.3 Victoria may experience reliability risks from 2028–29 when the Yallourn Power Station retires (2022 ESoo Update, page 4);
 - 7.4 future systems could be impacted by extreme weather that could disrupt key transmission paths, which demonstrates that route diversity in a stronger interconnected system increases resilience to a changing climate (2022 ISP page 53 and Appendix 4);
 - 7.5 outages, thermal, voltage and stability constraints impact on the transmission of electricity between NSW and Victoria (Planning Report, 43).

8. These AEMO reports emphasise the importance of new transmission projects to reduce reliability risks in the medium term (2022 ESOO pp 12, 56–58; 2022 ESOO Update pp 4, 13–14).

VNI West

9. VNI West is a proposed high voltage alternating current interconnector between Victoria and New South Wales.
10. AEMO identifies VNI West as critical to addressing cost, security and reliability issues for the DTS (2020 ISP page 14) and a critical transmission project for the DTS (2020 ISP and the 2022 ISP).

11. AEMO identifies the need for VNI West (page 74 of the 2022 ISP):

To increase transfer capacity between New South Wales and Victoria to realise net market benefits by

- *efficiently maintaining supply reliability in Victoria following the closure of further coal-fired generation and the decline in aging generator reliability – including mitigation of the risk that existing plant closes earlier than expected*
- *facilitating efficient development and dispatch of generation in areas with high quality renewable resources in Victoria and southern New South Wales through improved network capacity and access to demand centres, and*
- *enabling more efficient sharing of resources between NEM regions.*

12. At page 15 of the 2022 ISP, AEMO states:

*The pace of change and scale of investment in Australia's energy sector is already unprecedented, yet will only accelerate. It is imperative that the actionable projects (as well as the projects being progressed under the NSW framework) should commence on time, and be developed efficiently to the proposed timetables, tenable an efficient and effective energy transformation for consumers. There are a range of urgent efforts required to support the ISP's timely implementation, and its central role in the Commonwealth Government's Rewiring the Nation policy. The Commonwealth and NEM state governments can assist in **on-time or earlier delivery** of these critical projects through supporting policies and cooperation to deliver ISP projects. (**emphasis added**).*

13. At page 67 of the 2022 ISP, AEMO states that VNI West is an actionable ISP project to be delivered urgently, with a schedule delivery date of July 2031 which '*aligns with advice from project proponents as to the earliest practical delivery time under current arrangements*'. However, in clarifying that actionable projects should be progressed as soon as possible, AEMO further states that:

'The schedule of actionable projects lists the earliest practical delivery time AEMO has been advised by the project proponents. Earlier delivery would either be more optimal to deliver benefits to consumers or would provide valuable insurance and guard against other potential delays. All actionable projects should therefore progress as urgently as possible, and state and Commonwealth mechanisms which support earlier progression of projects could deliver earlier benefits or cost savings'. (page 18)

.....

Work needs to commence urgently to manage potential risks to delivery. Earlier delivery could provide additional resilience benefits and would require additional supporting arrangements to accelerate timeline.' (page 67)

14. At page 74 and following of the 2022 ISP, AEMO discusses the optimal benefits and timing for VNI West:

making the project actionable now would increase insurance against the potential of earlier than anticipated coal closures (other than Yallourn) or delays in the delivery or transmission of dispatchable sources.

15. At page 80 of the 2022 ISP, AEMO states –
The optimal timing for three nationally strategic projects – VNI West, Hume Link and Marinus Link – depend on the pace of the NEM’s transition. The earlier that coal-fired generation retires, the earlier these projects are needed, so early delivery provides protection against earlier than expected retirements. Early delivery can also offer additional resilience against short-term outages of generation or infrastructure.
16. Compounding AEMO’s concerns, I consider that there is a significant risk of coal retirement dates being brought forward across the NEM, noting in particular that in September 2022, AGL announced that Loy Yang A would close by 2035, 13 years ahead of schedule, and that AEMO generation information for the NEM shows retirement dates being brought forward for several coal plants since October 2021.
17. In its 2022 ISP and the VNI West Project Assessment Draft Report (**PADR**), AEMO found that VNI West would provide significant hosting capacity for local renewable development in adjacent Renewable Energy Zones (**REZs**) and increase electricity transfer capacity between Victoria and NSW (noting the benefits of additional interconnection referred to above) (2022 ISP page 74; PADR page 31–32, 74–75).

WRL

18. The Western Renewables Link (**WRL**) will link VNI West to Victoria’s electricity grid while also alleviating network constraints and increasing hosting capacity in Victoria’s west (Planning Report, pp 69–70). This aligns with the need for better and more reliable interconnection of the DTS referred to above (PADR, page 18–19).

PACR and AEMO approach

19. Most recently, and discussed in further detail below, AEMO has provided me with a copy of its final draft for publication of its Project Assessment Conclusions Report (**PACR**) for VNI West. The covering letter to the provision of this document states:
...in the final draft for publication, AEMO still considers Option 5A best meets the criteria under the Ministerial Order made on 20 February 2023 to facilitate and expedite delivery of the VNI West project, while delivering approximately \$1.4 billion of net market benefits in NPV terms over the assessment period on a scenario-weighted basis.
As noted previously, the enclosed final draft for publication has been prepared on the basis that components of Option 5A will be specified in a further Ministerial Order under the National Electricity (Victoria) Act as the preferred option to the extent it relates to the declared transmission system in Victoria.
If the further Ministerial Order is made on those terms, AEMO will then publish the enclosed document as the VNI West PACR.
20. The final draft PACR endorses the benefits of the AEMO’s proposed approach, while modelling and recommending additional options to improve it. These options are, in part, enabled and facilitated by the making of this Order.
21. I accept AEMO’s assessment that construction of VNI West, in the way ultimately recommended in the final draft PACR, will significantly strengthen the reliability and security of the DTS by providing access to replacement dispatchable capacity across the **NEM** when coal retires.
22. I have considered the most recent forecasts of the timing of these projects, the development of **REZs**, and Snowy 2.0 and other relevant projects in reaching this conclusion.
23. I accept AEMO’s expert opinion that acceleration of VNI West is preferable and will facilitate the dispatch of generation in areas of the state with high quality renewables, including the REZs identified by AEMO under the 2022 ISP. I note AEMO’s findings in the final draft PACR that staging or delaying the construction of VNI West would delay the accrual of the benefits of the project, and that acceleration would potentially align with concessional funding from the Commonwealth.
24. I regard those factors as also complementing the State’s policy goals, identified above.

THE 20 FEBRUARY ORDER

25. On 15 February 2023 I made an Order under section 16Y of the **National Electricity (Victoria) Act 2005** (the Act) (gazetted on 20 February 2023) (the **20 February Order**).
26. Under the 20 February Order I conferred certain functions on AEMO including the functions of:
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 augmentation 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, notes, terminal stations and transmission network design,*
 - ii. *other augmentations of the declared transmission system, and*
 - iii. *changes to the WRL.*
27. The 20 February Order confirms that AEMO must publish a PACR in respect of VNI West (clause 6.10).
28. At the time of the 20 February Order, the VNI West project was progressing under a Regulatory Investment Test for transmission (**RIT-T**) process under the National Energy Law (**Law**) and National Energy Rules (**Rules**).
29. Pursuant to that process, the VNI West project proponents (AEMO and New South Wales Electricity Networks Operations Pty Ltd trading as TransGrid) published a project Assessment Draft Report (**PADR**) in July 2022.

CONSULTATION WITH AEMO AND FURTHER CONSIDERATIONS

30. On 23 February 2023, AEMO released for public consultation the VNI West Consultation Report – Options Assessment (**Options Assessment**), which assessed alternative options to those canvassed under the VNI West PADR based on economic modelling and a multi-criteria analysis (**MCA**) that considered land, planning and environmental issues that AEMO expects to affect project timing and delivery risks.
31. AEMO had regard to its functions under the 20 February Order in assessing and ranking these options (page 3, Options Assessment).

Option 5

32. In the Options Assessment, AEMO identified a new recommended option (**Option 5**) running from Bulgana to near (south of) Kerang. Under this option, the WRL terminal station previously proposed for Mount Prospect (north of Ballarat) would be constructed instead at Bulgana.
33. In the Options Assessment AEMO recommended that, regardless of where VNI West connects with WRL, the WRL segment from Mount Prospect to Bulgana should be uprated from 220 kilovolts to 500 kilovolts (the **WRL Uprate**), which would enable additional generation capacity in Western Victoria by as early as 2027 and assist to alleviate existing constraints. Based on its analysis as set out in the Options Assessment, at that point in time, AEMO recommended Option 5 as its proposed preferred option (Options Assessment page 4).

Consultation

34. Following publication of the Options Assessment, AEMO consulted substantively on the results and received detailed submissions from Traditional Owners, community members and other stakeholders. I have considered that consultation process and the range of views expressed by respondents, as set out in the final draft PACR referred to below.
35. Following assessment of submissions to the Options Assessment, AEMO also undertook additional analysis including energy market modelling and land, planning and environmental analysis on variants to Option 5.

AEMO's recommendation that the State specify Option 5A

36. On 3 May 2023, the CEO of AEMO, Mr Daniel Westerman, wrote to my office enclosing a draft PACR for VNI West.
37. On 22 May 2023, Mr Westerman wrote to me again, enclosing a final draft of the PACR for VNI West, noting that there were no material amendments from the previous draft.
38. AEMO's correspondence and the accompanying drafts of the PACR recommended a variant or alteration of option 5, known as **Option 5A**, to better facilitate expediting delivery of VNI West. In doing so, AEMO also requested that the State consider making the Order I make today. The draft PACR also refers to the making of this Order to specify Option 5A.
39. AEMO's correspondence to me dated 22 May 2023 states:
'In particular, in the final draft for publication, AEMO still considers Option 5A best meets the criteria under the Ministerial Order made on 20 February 2023 to facilitate and expedite delivery of the VNI West project, while delivering approximately \$1.4 billion of net market benefits in NPV terms over the assessment period on a scenario-weighted basis.'
40. I regard AEMO's letter and the draft versions of the PACR, particularly the final version, as constituting AEMO's expert opinion and concluded recommendations in relation to VNI West. However, in assessing and having regard to its expert view, I have also had regard to the nature of Option 5A and the alternatives assessed by AEMO.
41. I note that in reaching its recommended conclusions and proposing to publish the final PACR, AEMO have followed a process analogous to and closely aligned with the standard RIT-T process, but having regard to broader criteria directed to early delivery of the project. AEMO has found that Option 5A offers Victorian consumers significant net economic benefits.

Option 5A

42. Option 5A describes a route option from the WRL at Bulgana directly to a terminal station near (directly east of) Kerang.
43. Option 5A requires some changes to the WRL, including relocation of the Mount Prospect terminal station site to Bulgana and uprating the WRL from 220 kilovolts to 500 kilovolts from Mount Prospect to Bulgana. AEMO had previously foreshadowed those proposed changes to the WRL, as I have outlined above.
44. AEMO's recommendations as set out in the draft PACR in the form that AEMO proposes to publish, subject to the making of this Order, state that Option 5A:
 - 44.1 is expected to harness the most renewable generation in the Murray River REZ in Victoria, while also increasing the hosting capacity in Western Victoria in south-west New South Wales renewable zones;
 - 44.2 ranks best or joint best with Option 5 from an environmental, land-use and engineering perspective, consistent with stakeholder feedback received in submissions; and
 - 44.3 delivers significant net benefits to Victorian consumers of approximately \$1.4 billion and is most likely to minimise social and environmental constraints based on AEMO's MCA and considering the views of stakeholders and communities in Victoria's north.
45. AEMO's comprehensive analysis for the VNI West PACR shows that Option 5A also delivers significant net economic benefits for electricity consumers. The draft PACR demonstrates that additional dispatchable capacity enabled by VNI West, including the WRL Uprate, would exert downward pressure on wholesale electricity prices over time (page 23 of the draft PACR).
46. AEMO also identifies in the draft PACR a Westerly sensitivity of Option 5A, which runs West of Kerang, within the same area of interest, before crossing into NSW at the same location as the base Option 5A, and which AEMO may explore further to support timely delivery.
47. AEMO has consulted with stakeholders, including the State, throughout its assessment process and in developing its recommendation for the preferred option for VNI West.

48. I accept AEMO's recommendation that Option 5A (including the potential sensitivity and minor possible changes identified by AEMO) is the option most likely to facilitate expedite delivery of VNI West. I accept AEMO's recommendations that, in order to maximise the benefits AEMO has identified and modelled, in particular, the chance of expediting the project's completion, Option 5A should be specified in this Order as the specified augmentation for VNI West.
49. I also consider, for reasons developed below, that certain other modifications to the NEL and NER are necessary and appropriate to achieve these objectives.

THE LEGAL FRAMEWORK

50. Section 16Y of the Act authorises the Minister to make an Order in relation to specified augmentations of the declared transmission system. Such orders may modify or disapply the application of aspects of the NEL and NER with respect to such specified augmentations, confer powers and functions on AEMO and a range of other matters.
51. This provision was inserted into the Act by the **National Electricity (Victoria) Amendment Act 2020**. The second reading speech to the Bill noted that the power in section 16Y of the Act would enable the facilitation of urgent transmission projects and expedite or override aspects of the complex national regime. It noted that the power could be used to fast-track or expedite priority transmission projects to support the provision of affordable, clean and reliable electricity to Victorians.
52. Specifically the second reading speech in relation to the Bill stated as follows in relation to the facilitation of transmission projects:

The Bill will enable the Minister for Energy, Environment and Climate ... to make Orders to facilitate urgent transmission projects, under a new Division 7 of Part 3 of the NEVA. A Ministerial Order will be able to regulate specified augmentations of the declared transmission system, the provision of services in respect of such augmentations, and other services that support the transmission network, including modifying or disapplying relevant provisions of the NEL and NER.

For example, an Order may modify or disapply parts of the national regulatory framework that have the potential to delay timely investment in the transmission network, including the regulatory investment test for transmission (RIT-T) and rules relating to contestable procurement for augmentations. The RIT-T can add years to a transmission project, frustrating investment to address Victoria's urgent reliability needs. ...

*The powers to make Ministerial Orders under the Bill **may be used to fast-track priority transmission projects and network investments to improve the reliability of Victoria's transmission system**. It is important to note that such investments in the transmission system may occur through transmission network infrastructure upgrades or through network support measures which increase the service capability of the transmission network such as a grid-scale battery. **The Bill will provide the Victorian Government with the ability to expedite specified priority transmission projects to support the provision of affordable, clean and reliable electricity to Victorians (emphasis added)***

53. I have carefully considered the terms of the provision and the secondary material above when considering whether or not to make this Order.

A SUMMARY OF THE EFFECT OF THE ORDER

54. The purpose of this Order is to enable and facilitate the accelerated augmentation of the Victorian transmission system, by enabling AEMO to publish the VNI West PACR and make certain other consequential or related investigations or steps, including in relation to the WRL Uprate. Without this Order and because of both limitations in the Rules and the existing PACR process for the VNI West project:

- 54.1 AEMO would not publish a PACR confirming Option 5A as its recommended Option; and

- 54.2 the Rules would require an outcome which would not obtain all of the benefits identified by AEMO under Option 5A, being benefits to the reliability, safety and security of the national electricity system and the declared transmission system, as well as benefits for consumers.
55. It is important that this Order is made prior to the PACR, to enable the NSW aspects of the project to align with the Victorian aspects, as altered by this Order.
56. In summary terms, the Order:
- 56.1 specifies VNI West and the augmentation referred to in Schedule 1 of the Order, the latter conforming to Option 5A described in the VNI West PACR, as specified augmentations;
 - 56.2 specifies WRL and the augmentation described in Schedule 2 of the Order, the latter conforming to the WRL Uprate, as specified augmentations;
 - 56.3 in relation to VNI West, directs AEMO to publish the PACR for VNI West identifying the augmentation referred to in Schedule 1 of the Order, as the preferred option;
 - 56.4 In relation to the WRL Uprate, which is defined in Schedule 2 of the Order, confers on AEMO the functions of:
 - (a) undertaking the investigation, testing and surveying of land associated with designing the WRL Uprate, and related functions;
 - (b) investigating options for procuring the WRL Uprate including obtaining a detailed breakdown of the associated costs, and related functions;
 - (c) the procurement of long lead time items (subject to further approval of the Minister or Ministerial Order); and
 - (d) providing me with report and recommendations as to the options for carrying out the WRL Uprate;
 - 56.5 provides that AEMO must not vary a WRL Project Document to implement an option other than the preferred option under the WRL PACR, save as expressly authorised under this Order, the 20 February Order or as otherwise approved by the Minister or further Ministerial Order;
 - 56.6 revokes certain functions conferred on AEMO by the 20 February Order;
 - 56.7 disallows or modifies certain provisions of the NEL and the NER in respect of the specified augmentations and provides that nothing done under the Order is a material change in circumstances in respect of the VNI West RIT-T or the WRL RIT-T;
 - 56.8 provides that a declared transmission system operator must provide information upon request by AEMO; and
 - 56.9 provides that AEMO's costs may be recovered in accordance with the existing rules and procedures for transmission charges relating to common transmission service costs.

CONSULTATION OBLIGATIONS

57. I have consulted on this proposed Order with the Premier, the Treasurer and AEMO in accordance with section 16ZA of the Act.
58. On 5 May 2023, AEMO CEO Daniel Westerman wrote to me confirming AEMO's support for the making of the Ministerial Order, subject to minor drafting changes as discussed with my Department, mainly relating to the description of the projects in the Schedule. AEMO's position was confirmed in its subsequent letter of 22 May 2023 enclosing the final draft PACR for publication, as referred to above.
59. Following minor amendments to the Order as agreed with AEMO, further consultation letters were issued to the Premier and the Treasurer on 11 May 2023, attaching a copy of the draft PACR and revised Order. This consultation extended the period of consultation under section 16ZA, to provide the Premier and the Treasurer with the benefit of the draft PACR before providing comments on the Order.

REASONS FOR MAKING THE ORDER

60. I have carefully considered and accept AEMO's expert opinion in relation to the increasing threats to the reliability, safety and security of the national electricity system, including the DTS in Victoria, posed by the increasing unreliability and closure, scheduled and unscheduled, of thermal coal generators.
61. I have also carefully considered and accept AEMO's recommendation that completing VNI West as a matter of urgency and, if practical, accelerating the completion would offer a prudent mitigation against these risks.
62. I have carefully considered the State's energy policies and commitments to achieve net zero carbon emissions by 2045.
63. I have carefully considered the development of REZs in regional parts of the State and renewable energy projects and zones in other parts of the country (including Snowy 2.0) that would be benefited by the early completion of VNI West.
64. I have carefully considered and accept AEMO's analysis set out in the draft PACR and agree with AEMO's recommendation in the draft PACR and Mr Westerman's letters that Option 5A is the best approach to seek to accelerate delivery of VNI West, including the associated changes to WRL.
65. I am aware that the WRL is the subject of an environment effects assessment process under the **Environment Effects Act 1978**. Any final decision in relation to the WRL, including in relation to the uprated component of the WRL, will only be made after the completion of that environmental effects assessment process.
66. To the extent that this order confers upon AEMO the function to investigate, test and survey land associated with the design of the WRL Uprate, those matters are necessary to inform the environment effects assessment process, and are specifically excluded from the works that are the subject of the requirement to prepare an environment effects statement under the **Environment Effects Act 1978**. The other functions conferred upon AEMO are necessary to facilitate administration and consultation in relation to these matters.
67. In considering and making this Order, I have also had regard to the terms of section 16Y and related provisions of the Act.
68. I am not limited to the matters I can have regard to in making the decision, but have, in any event, also considered each of the matters set out in section 16Z of the Act.
69. I have also carefully considered the stated purposes of the relevant provisions and the surrounding secondary material concerning the purposes of their inclusion in the Act. That material noted that the power in section 16Y of the Act would enable the facilitation of urgent transmission projects and expedite or override aspects of the complex national regime. It noted that the power could be used to fast-track or expedite priority transmission projects to support the provision of affordable, clean and reliable electricity to Victorians. I consider that the use of the power in section 16Y to seek to accelerate and expedite the specified projects is consistent with both the terms and the intent of these provisions.
70. The Order achieves these things in part by modifying and disapplying a number of provisions of the NEL and NER. I have considered the impact of each such modification on both the potential acceleration of VNI West, against a position where those modifications were not made, and the costs and impacts of each of those modifications for network participants, contractors, relevant landholders and consumers.
71. In making this Order I have also carefully considered that the Order will modify or disallow certain provisions of the Law and Rules in respect of the specified augmentation. Details of the changes are set out in appendix A. In each instance, I am satisfied that these modifications and conferrals are appropriate and necessary to achieve the purposes of the Order.
72. I have also had regard to the other relevant legal, policy and planning frameworks which will apply notwithstanding the making of this Order. The Order does not affect, and could not affect, environmental, planning, land acquisition/compensation or other statutory requirements, rights and interests outside the framework of the Act, the NEL and the NER.

73. I have also considered the need to keep procurement options open for the State and AEMO, to maximise commercial flexibility and options when considering procurement of the construction phase. The options for procurement will be considered by me in close consultation with AEMO in the months ahead and after completion of AEMO's conferred functions under this Order (specifically, investigations and enquiries in relation to WRL Uprate options).
74. The Order includes provisions to enables AEMO to progress the carrying out specified activities in respect of the WRL Uprate, which are near-term activities needed to permit the continuation of existing environmental approval processes for the WRL project. I consider this consistent with the overall purposes of the Order.
75. AEMO has advised that changes to the WRL enabled via the VNI West preferred option, including relocation of the Mount Prospect terminal station site, would minimise ongoing risks of schedule delays associated with the current WRL project, which may offset the near-term impacts of this Order. I have taken this advice into account.
76. AEMO costs in carrying out these activities under the Ministerial Order, including costs associated with delays to WRL as a result of this Order, will be apportioned to customers in accordance with the existing Rules and procedures for transmission charges relating to common transmission service costs. These costs are expected to add a small amount to typical household electricity bills over the 40-year life of the asset, which are expected to be significantly outweighed by the savings expected from the downward pressure on wholesale prices from implementation of AEMO's recommended Option 5A.
77. The Order provides that AEMO's costs of undertaking these functions will be recoverable as a transmission use of service charge. I consider that this is appropriate because:
- 77.1 AEMO would not otherwise be able to carry out the functions required or provided to it under this Order; and
- 77.2 it is consistent with the existing rules and procedures for transmission charges relating to common transmission service costs.
78. I have also 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, including on costs.

CONCLUSION

79. I am satisfied that:
- 79.1 the proposed Order relates to the carrying out of an augmentation to the Declared Transmission System;
- 79.2 the Order adequately specifies those relevant augmentations; and
- 79.3 the making of the Order supports and provides the best opportunity for the State to secure the acceleration or expedition of those augmentations, to support the long term and secure supply of reliable and affordable energy to Victorian consumers.
80. Having regard to each of:
- 80.1 the terms of section 16Y and related provisions in the Act, including each of the matters in section 16Z;
- 80.2 the factual matters described in these reasons, as set out above;
- 80.3 the AEMO publications and correspondence with AEMO referred to in these reasons;
- 80.4 the two versions of the draft PACR provided to me by AEMO;
- 80.5 the consultations with the Treasurer and Premier referred to in paragraphs 57 and 59 above, pursuant to section 16ZA of the Act;
- 80.6 the outcome of the Department's ongoing consultations with AEMO including in its capacity as AVP;

80.7 each of the modifications and disallowances of provisions of the NEL and NER made by the Order; and

80.8 the other matters set out in these reasons,

I have decided to make this Order to specify Option 5A as a specified augmentation for the purposes of the Act and to further facilitate the expedited delivery of the VNI West transmission project in order to meet a crucial national electricity system need in Victoria and other participating jurisdictions.

APPENDIX A

Law	RULES	Modification	Subject	Reason for Modification
50F(2)		Disallow	Augmentations to be subject to cost benefit analysis	Under this provision AEMO would be required to conduct a cost benefit analysis. This may otherwise conflict with or impede the functions conferred on AEMO under clause 6.1 of the Order.
50F(3)		Disallow	Competitive tender	Under this provision, AEMO may have been required to conduct a competitive tender to carry out certain specified functions under the Order. This may have conflicted with the functions conferred on AEMO under the Order. It may also have conflicted with the possibility of the State and AEMO considering various options for procurement and delivery.
50H		Disallow	Resolution of dispute arising from attempt to negotiate a network agreement or augmentation connection agreement	Both WRL and VNI West have or will have <i>network connection agreements</i> . The effect of this modification is to prevent any dispute between AEMO and a DTSO being referred to the AER. AEMO has requested this modification because it otherwise may have conflicted with the functions conferred on AEMO under the Order.
			RIT	
	5.15A	Disallow	Regulatory investment test for transmission	Without this modification, VNI West and WRL would remain subject to the RIT-T Rules (including re-opening of the RIT-T after a PACR; or referring a dispute about the outcome of a RIT-T to the AER). That standard approach is inconsistent with the expedited approach taken in this Order and with AEMO having taken account of economic, cultural heritage and social licence considerations that sit outside that normal process. This modification maximises the possibility of accelerating delivery and construction of VNI West.
	5.16	Disallow	Application of RIT-T to RIT-T projects which are not actionable ISP projects	As above. WRL is not an actionable ISP project.

	5.16A	Disallow	Application of the RIT-T to actionable ISP Projects	As above. VNI West is an actionable ISP project.
	5.16B	Disallow	Disputes in relation to application of regulatory investment test for transmission	As above.
			Augmentations	
	8.11.4	Disallow	Planning criteria	Under this provision AEMO must publish planning criteria outlined the principles on which AEMO carries out cost benefit analysis of proposed augmentations under section 50 F of the Law. This requirement may conflict with the identification of an option that maximises the possibility of accelerating delivery and construction of VNI West.
	8.11.6	Disallow	Contestable augmentations	Under this rule certain augmentations of declared shared networks are required to be contestable. This requirement may conflict with the carrying out of certain specified functions under the Order and the possibility of the State and AEMO considering a broad range of options for procuring delivery. Disallowing this provision enables the State and AEMO to progress the most efficient procurement approach and maximise the possibility of accelerating delivery and construction.
	8.11.8	Disallow	Funded augmentations that are not subject to the tender process	This clause applies to certain contestable augmentations. It is disallowed for the same reasons set out in re 8.11.6.
	8.11.9	Disallow	Contractual requirements and principles	This rule requires network agreement and augmentation connection agreements for contestable augmentations to comply with certain requirements set out in Schedule 8.11. It is disallowed for the same reasons set out in re 8.11.6.

	Schedule 8.11	Disallow	Principles to be reflected in agreements relating to contestable augmentations	As above.
--	------------------	----------	--	-----------

HON. LILY D'AMBROSIO
Minister for Energy and Resources

This page was left blank intentionally

This page was left blank intentionally

ive

The *Victoria Government Gazette* is published by IVE Group Limited with the authority of the Government Printer for the State of Victoria

© State of Victoria 2023

This publication is copyright. No part may be reproduced by any process except in accordance with the provisions of the Copyright Act.

Address all enquiries to the Government Printer for the State of Victoria
Level 2, 1 Macarthur Street
Melbourne 3002
Victoria Australia

How To Order



**Retail &
Mail Sales**

Victoria Government Gazette
Ground Floor, Building 8,
658 Church Street,
Richmond 3121



Telephone
email

(03) 8523 4601
gazette@ivegroup.com.au

Price Code B