



# Victoria Government Gazette

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## National Electricity (Victoria) Act 2005

### CEO VICGRID TO ASSIST AEMO (VNI WEST) 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](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:

**20 February 2023 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.

**27 May 2023 Order** means the Order made by the Minister under section 16Y of the Act dated 26 May 2023 and published in Special Gazette No. S 267 on 27 May 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 includes:

- (a) costs of carrying out or procuring the carrying out of the functions under this Order, including those paid or payable to a declared transmission system operator;
- (b) costs for the provision of assistance by the CEO VicGrid; and
- (c) if AEMO enters into a VNI West development agreement under clause 4.3(b), AEMO's contracting costs,

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 1: see section 16Y(6) of the Act.

**AEMO's contracting costs** means costs AEMO incurs as a result of entering into a VNI West development agreement, including without limitation any:

- (a) amounts payable by AEMO under a VNI West development agreement entered into by AEMO in accordance with clause 4.3(b), or imposed by law in connection with that document; and
- (b) other costs AEMO incurs in performing, complying with, administering, managing or enforcing a VNI West development agreement entered into by AEMO in accordance with clause 4.3(b).

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

**SPECIAL**

**CEO VicGrid** has the same meaning as in the Act.

**CEO VicGrid Agreement** means the agreement required under clause 4.3(f).

**concessional finance** has the same meaning as in Chapter 10 of the Rules.

**declared network functions** means AEMO's declared network functions as set out in section 50C(1) of the Law.

**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.

**early works** has the same meaning as given in the 20 February 2023 Order.

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

**Minister** means the Minister responsible for administering the Act.

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

**project assessment conclusions report** has the same meaning as in the Rules.

**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.

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

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

**VicGrid** means the administrative office of the Victorian Department of Energy, Environment and Climate Action, established by the Governor in Council under section 11 of the **Public Administration Act 2004**.

**VicGrid employee** means a person employed under Part 3 of the **Public Administration Act 2004** and who assists, or carries out functions on behalf of, the CEO VicGrid under this Order.

**VNI West construction agreement** means an agreement entered into with a Transmission Network Service Provider or intending Transmission Network Service Provider for the construction of VNI West (or any part of it) and includes any associated network services agreement, but does not include an agreement limited to the carrying out of any early works, design works, procurement or other preparatory activities.

**VNI West development agreement** means an agreement or agreements under which AEMO procures the carrying out of the development, delivery, operation and/or maintenance of VNI West or any part of it and includes a VNI West construction agreement, and agreements related to the transfer of any assets or liabilities related to VNI West.

**VNI West** means the augmentation specified in clause 3.1.

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

**Western Renewables Link** or WRL means the proposed augmentation to the declared transmission system described as the preferred option in the WRL PACR.

**WRL PACR** means the project assessment conclusions report for Western Renewables Link published by AEMO in July 2019.

**WRL RIT-T** means the RIT-T for the Western Renewables Link conducted by AEMO.

### 3. SPECIFICATION OF AUGMENTATION – VNI WEST

- 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.
- 3.2 For the avoidance of doubt, all works carried out by AEMO under clause 6 of the 20 February 2023 Order (and whether before or after the date of this Order) in respect of VNI West are part of the augmentation specified in clause 3.1.

### 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 4.3.
- 4.2 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 clause 4.2(a), limits AEMO in terms of any other agreement that AEMO has entered into or may enter into in respect of the declared transmission system.

#### AEMO's functions in respect of VNI West

- 4.3 AEMO is conferred the following functions in respect of VNI West:
- (a) conducting one or more limited or open tenders, in one or more stages, for all or any part of VNI West, to determine who AEMO should enter a VNI West development agreement with;
  - (b) subject to clause 4.4, entering into one or more VNI West development agreements;
  - (c) conferring with the CEO VicGrid in relation to the performance of AEMO's functions under this Order;
  - (d) conferring with the CEO VicGrid in relation to the performance of AEMO's functions in respect of VNI West under the 20 February 2023 Order as modified by the 27 May 2023 Order and this Order;
  - (e) receiving assistance from the CEO VicGrid in relation to:
    - (i) the performance of AEMO's declared network functions in Victoria in relation to VNI West;
    - (ii) the performance of the functions conferred on AEMO in respect of VNI West under the 20 February 2023 Order as modified by the 27 May 2023 Order and this Order; and
    - (iii) the performance of functions conferred on AEMO under this Order;
  - (f) entering into an agreement with the CEO VicGrid in relation to functions and responsibilities under clause 4.3(e) and for the payment by AEMO to the CEO VicGrid of the CEO VicGrid's costs of providing assistance to AEMO under clause 5 of this Order (including the CEO VicGrid's costs of employing VicGrid employees and engaging VicGrid consultants and contractors);
  - (g) exercising and enforcing its rights and performing its obligations under or in respect of any VNI West development agreement entered into under clause 4.3(b); and
  - (h) any other function related to or arising from clauses 4.3(a) to 4.3(g) above.
- 4.4 Notwithstanding clause 4.3(b), AEMO must not enter a VNI West construction agreement without the prior approval of the CEO VicGrid.
- 4.5 AEMO may carry out any or all of the functions conferred under this Order through a wholly owned subsidiary company.

Note: for the avoidance of doubt the assistance of the CEO VicGrid provided to a subsidiary company of AEMO is deemed to be assistance provided to AEMO under this Order.

**5. CEO VicGrid**

- 5.1 The CEO VicGrid is required to assist AEMO in the performance of:
- (a) AEMO's declared network functions in Victoria in relation to VNI West;
  - (b) the functions conferred on AEMO in respect of VNI West under the 20 February 2023 Order as modified by the 27 May 2023 Order and this Order; and
  - (c) the functions conferred on AEMO under this Order.

Note: see section 16Y(2)(ja) of the Act.

- 5.2 The CEO VicGrid may assist AEMO under clause 5.1:
- (a) directly; or
  - (b) indirectly:
    - (i) through an agent or delegate;
    - (ii) by directing a delegate or VicGrid employee; or
    - (iii) by procuring, contracting, or engaging services.

**6. MODIFICATION OF LAW AND RULES**

- 6.1 For the purposes of section 50C(1)(f) of the Law, AEMO's declared network functions are deemed to include the activities and functions of the CEO VicGrid under clause 5 of this Order.

Note 1: see section 16Y(1)(c) of the Act.

Note 2: nothing in this Order limits the CEO VicGrid's functions under the Act.

- 6.2 The following provisions do not apply in respect of the augmentations specified 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.

For the avoidance of doubt, the effect of this clause 6.2 is to disapply these provisions from any of AEMO's functions conferred under this Order.

- 6.3 For the purposes of clause 6A.3.3 of the Rules, AEMO is not a Transmission Network Service Provider in relation to assets that form part of VNI West.

Note: see clause S6A.4.2(c)(10) of the Rules.

- 6.4 Clause S6A.4.2(c)(11) of the Rules is deemed to apply to a declared transmission system operator who receives concessional finance for assets that form part of VNI West.

**7. 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 WRL RIT-T or the VNI West RIT-T for the purposes of clauses 5.16.4 and 5.16A.4 of the Rules.

**8. PROVISION OF INFORMATION**

- 8.1 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 4.3.
- 8.2 Nothing in this Order limits a declared transmission system operator's obligation or duty under the Law or the Rules.

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

- 9.1 Despite anything to the contrary in the Rules, AEMO's costs may be recovered through charges in respect of prescribed transmission services.
- 9.2 For the purposes of clause 9.1, AEMO complying with this Order, including without limitation the carrying out of any of the functions conferred by this Order or the incurring of AEMO's costs, including the costs of the CEO VicGrid, is deemed to be the provision of prescribed common transmission services.
- 9.3 The definition of prescribed common transmission services in the Rules is modified accordingly.
- 9.4 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 2024 to take effect from 1 July 2024;
  - (c) AEMO may amend its revenue methodology for this and each relevant subsequent regulatory year to provide for AEMO's costs;
  - (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; and
  - (e) AEMO must pay to the CEO VicGrid amounts AEMO collects in respect of CEO VicGrid's costs of providing assistance to AEMO under clause 5 of this Order.
- 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.
- 9.5 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.

**10. OTHER**

Clause 6.4 of the 20 February 2023 Order is revoked.

**11. SAVINGS**

- 11.1 Nothing in this Order invalidates or limits anything done under the 20 February 2023 Order or the 27 May 2023 Order.
- 11.2 The 20 February 2023 Order and 27 May 2023 Order continue in full force and effect, save as modified by this Order.

Dated 4 November 2024

HON. LILY D'AMBROSIO  
Minister for Energy and Resources

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**SCHEDULE 1 – VNI WEST**

Construction of a new 500 kV double-circuit overhead line from a new terminal station near Kerang to the Dinawan terminal station near Jerilderie, NSW, crossing the Murray River north of Kerang to a new terminal station at or near 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 new terminal station at or near 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.

REASONS FOR MAKING THE CEO VICGRID TO ASSIST AEMO (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.

## RELEVANT BACKGROUND MATTERS

### Introduction

1. The VNI West Project is a proposed new high capacity 500Kv double circuit overhead transmission line between Victoria and New South Wales to harness new renewable generation, increase export capacity from Victoria to New South Wales and improve security and reliability in the electricity network as coal-fired power stations retire.
2. I have previously made two Orders under section 16Y of the **National Electricity (Victoria) Act 2005** (the Act) in relation to the VNI West Project:
  - 2.1 an Order dated 15 February 2023 and published in the Victorian Government Gazette number S 60 of the 20 February 2023 (the **February 2023 Order**); and
  - 2.2 an Order dated 26 May 2023 and published in the Victorian Government Gazette number S 267 dated 27 May 2023 (the **May 2023 Order**).
3. The February 2023 Order authorised the immediate commencement of Australian Energy Market Operator (**AEMO**) led early works for VNI West.
4. In my published reasons for making the February 2023 Order, I said that:

*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 NEL to re-apply the VNI West RIT-T or WRL RIT-T due to a relevant material change in circumstance.*
5. The May Order further modified the NEL and NER to enable and facilitate the VNI West Project, by:
  - 5.1 requiring AEMO to publish a Project Assessment Conclusions Report (**PACR**) which adopted a preferred option which would not otherwise have been possible and which modified other regulatory requirements; and
  - 5.2 other related changes.
6. In my published reasons for making the May 2023 Order, I said that:

*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.*
7. As I describe below, VNI West is a crucial project to address ongoing electricity generation, transmission, reliability and capacity concerns. I identified these concerns in paragraphs 1 – 8 of my reasons for making the May 2023 Order, though I also refer to additional materials below.

## CONTINUING RELIABILITY CONCERNS RAISED BY THE TRANSMISSION PLANNER

8. Since I made the May 2023 Order, AEMO has continued to warn of:
  - 8.1 ongoing risks to the reliability and security of Victoria's electricity supply; and

8.2 the importance of delivery of the VNI West project as scheduled, to mitigate those risks.

Note: AEMO is national transmission planner for the National Electricity Market (NEM) and is the current transmission planner for Victoria, as an adoptive jurisdiction under the NEM.

9. In particular, I refer to the following AEMO publications which describe these concerns:
- 9.1 2020, 2022 and 2024 Integrated System Plans (ISP);
- 9.2 Electricity Statement of Opportunities (ESOO):
- (a) 2022 ESOO and 2022 ESOO Update;
- (b) 2024 ESOO ;
- 9.3 AEMO Victorian Annual Planning Reports 2022 and 2023.
10. AEMO has stated that:
- 10.1 there is a real and growing possibility that replacement generation is not available when coal power stations retire - this risk must be avoided (2024 ISP, p 16):
- (a) about 90% of the NEM's coal fleet is forecast to retire before 2035 in the most likely scenario, and the entire fleet before 2040 (2024 ISP, page 6);
- (b) almost all owners of coal generators have announced long-term retirement plans, but are only required to give three and a half years' notice of a closure;
- (c) this leaves the NEM very little time to respond if replacement investments are not planned and delivered. (2024 ISP, page 16); and
- (d) over the reliability forecast horizon, the supply-demand balance in Victoria is forecast to progressively tighten as demand is expected to increase, driven by forecast electrification of residential, commercial, industrial and transportation loads (2024 ESOO, page 64).
- (e) in Victoria, indicative reliability gaps are identified over the entire horizon against the reliability standard. (2024 ESOO, page 66). Although AEMO notes that the reliability risk has reduced from the previous ESOO forecast.
- 10.2 the sooner firmed renewables are connected, the more secure the energy transition will be (2024 ISP, page 16);
- 10.3 major transmission augmentations such as WRL and VNI West have been identified as the most cost-effective way to deliver energy to consumers in the medium to long term. (AEMO 2023 Victorian Annual Planning Report, page 26); and
- 10.4 the timely delivery of expected investments in generation, storage and transmission is critical to maintaining reliability for electricity consumers (2024 ESOO, page 3).
11. In the 2024 ISP, AEMO has identified an 'Optimal Development Path' (ODP), as the most efficient path to:
- 11.1 maintain reliable and secure electricity supply as coal retires; and
- 11.2 deliver the energy system needed for a net zero economy.
12. AEMO considers that any delay to delivery of the ODP increases the likelihood of interruptions and higher costs (2024 ISP, pages 16 and 79).
13. AEMO continues to classify the VNI West Project as an actionable transmission project in the OPD (2024 ISP; page 15, figure 3; page 61, table 6), because it will:
- 13.1 increase transfer capacity between New South Wales and Victoria to realise net market benefits (2024 ISP Appendix 5 Network Investments, A5.3.11, page 44); and
- 13.2 significantly improve reliability forecast outcomes in Victoria by:
- (a) providing greater connectivity with New South Wales, in particular to the Snowy Hydro scheme (2023 ESOO, page 99; 2023 ESOO Update page 24);



- (b) enabling generation and storage developments outside the Melbourne 220 kV network to resolve reliability risks, including the Melbourne 500 kV network in the VNI West corridor (2023 ESOO update, page 40); and, ultimately
- (c) ensuring reliability risks are forecast below the reliability standard in 2029–30, when VNI West and the first Marinus Link cable are fully commissioned (2023 ESOO, page 6).

#### **STATUS OF VNI WEST EARLY WORKS**

14. In the 2023 Victorian Annual Planning Report, AEMO notes that:
  - 14.1 In May 2023, AEMO (in accordance with the May 2023 Order and in conjunction with Transgrid in NSW) released a PACR, which identified the preferred network option for VNI West. The PACR charts a broad corridor that connects VNI West to WRL, at a new terminal station at Bulgana, crossing the Murray River north of Kerang. This continues on to EnergyConnect in New South Wales at the new Dinawan substation.
  - 14.2 AEMO subsequently established a subsidiary, Transmission Company Victoria (TCV), to undertake early works in Victoria, including community, landholder and Traditional Owner consultations and ongoing investigations into the corridor and ultimate route.
  - 14.3 On 6 October 2023, AEMO published Draft Corridor Report 66. This narrowed the potential corridor width for VNI West to approximately 2 kilometres.
  - 14.4 VNI West is planned for ‘first energisation’ in 2028, and to be fully operational (with inter-network testing complete, subject to market conditions) in Q4 2029 (PACR page 54)
15. On 17 September 2024, I received correspondence from the CEO of AEMO, Mr Daniel Westerman, stating that:
  - 15.1 AEMO incorporated Transmission Company Victoria Limited (TCV) as a wholly owned subsidiary of AEMO on 24 February 2023, to support AEMO to progress the early works;
  - 15.2 AEMO has progressed the following early works activities through TCV:
    - (a) technical design including reference design, functional specifications, studies and technical assessment;
    - (b) conducting field studies and engaging consultants to support preparation of an Environment Effects Statement;
    - (c) entering into agreements with landholders permitting access to enable investigations and surveying;
    - (d) other activities relating to the identification of the draft Project Corridor;
    - (e) community, traditional owner and stakeholder engagement including engagement plans, community consultation activities, information sessions and forums;
    - (f) commenced the procurement process for certain long lead time equipment;
    - (g) AEMO has also been progressing future planning, design, and procurement activities including pre-contracting activities for engineering, procurement, and construction contracts for VNI West;
    - (h) on 26 July 2024, AEMO issued a call for registration of interest (**ROI**) from potential Development Partners who would be interested to participate in any future invitation to tender (**ITT**) for VNI West;
    - (i) AEMO is currently assessing responses to the ROI and preparing documentation for the potential release of an ITT in October.

- 15.3 Mr Westerman has requested that I consider conferring on AEMO additional functions in respect of VNI West, including conducting the proposed tender process, allowing for the release of an ITT.

Note: Under section 50 of the National Electricity Law, AEMO is responsible for (amongst other things) contracting for augmentation of the declared shared network.

### CEO VICGRID TO ASSIST

16. VicGrid is an administrative office of the Victorian Department of Energy, Environment and Climate Action, established by the Governor in Council under section 11 of the **Public Administration Act 2004**.
17. The CEO VicGrid is the public service body head of VicGrid, but is also established under section 52 of the Act, with specific functions:
- 17.1 for transmission planning (including cooperating with AEMO); and
- 17.2 as conferred under any Order made under section 16Y of the Act.
18. VicGrid:
- 18.1 assists the CEO VicGrid in carrying out the CEO VicGrid's functions; and
- 18.2 has assisted AEMO in the coordination of early works for VNI West since I made the February 2023 Order.
19. Under section 16Y(2)(ja) of the Act I may *require the CEO VicGrid to assist AEMO in the performance of any of AEMO's functions specified in the Order*. I consider that doing so in this instance is appropriate and efficient. In part, this is because of the important role VicGrid has played to date in assisting in relation to the VNI West Project. This includes:
- 19.1 advancing community engagement efforts through participation in 54 regional community events. VicGrid has facilitated crucial dialogue seeking to move the project forward while improving transparency.
- 19.2 leading work to develop traditional owner engagement in potentially impacted areas. Establishing the Walking Together partnership agreements, VicGrid has coordinated 70 First Nations Representatives for consultation to ensure their voices are heard and respected. In addition, VicGrid has invested in energy officers and related initiatives with Djaara and the Barengi Gadjin Land Council and has empowered Traditional Owners to engage more effectively with the projects and assert their rights.
20. Based on VicGrid's involvement to date, in contributing to ensure delivery to meet the timeframes identified by AEMO, and conscious of the potential future transfer of functions, I consider that it is efficient and cost effective for the CEO VicGrid to assist AEMO in the performance of AEMO's declared network functions in Victoria in relation to VNI West, the functions conferred on AEMO under the February 2023 Order, the May 2023 Order, and this order, in each case pursuant to section 16Y(2)(ja) of the Act.
21. Victoria is also progressing proposed legislative reforms, to change the way transmission for the declared shared network is planned and developed through the Victorian Transmission Investment Framework. As part of that reform, I anticipate that the functions for the planning and procurement of augmentations in Victoria, together with the subsequent provision of shared transmission services, will be transferred to the CEO VicGrid. Any transfer is subject to legislation passing through Parliament next year. If the transfer proceeds, it is likely to include a transfer of the functions conferred on AEMO under the February 2023 Order and the May 2023 Order, to the CEO VicGrid. I make this order on the basis of current arrangements, but aware of the potential for future legislative reform.

### LEGISLATIVE FRAMEWORK

22. 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.

23. I have carefully considered the stated purposes of the relevant provisions and secondary material concerning the purposes of their inclusion in the Act. In particular:
- 23.1 that material emphasises that the power in section 16Y of the Act enables 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; and
- 23.2 in relation to the more recently introduced provisions 16Y(2)(ja) and (6), that those provisions:
- (a) extend the Minister's powers to direct that the CEO VicGrid assist AEMO in the performance of a function specified in an order; and
  - (b) provide that costs incurred by AEMO in respect of a specified augmentations include costs for the provision of assistance by the CEO VicGrid, enabling AEMO to recover these costs.

#### **A SUMMARY OF THE EFFECT OF THE ORDER**

24. A purpose of this Order is to:
- 24.1 meet a national electricity system need in Victoria and other participating NEM jurisdictions; and
- 24.2 meet an immediate, medium, and long term need to address ongoing reliability and security of the national electricity system, including Victoria,
- by facilitating the expedited delivery of VNI West through now conferring upon AEMO the functions, set out in clause 4 of the Order; namely conducting one or more open tenders for VNI West and entering into one or more VNI West development agreements.
25. A further purpose of this Order is to meet the needs outlined above through conferring upon the CEO VicGrid a function, set out in clause 5 of the Order, to assist AEMO in relation to:
- 25.1 the performance of the functions conferred on AEMO in respect of VNI West under the February 2023 Order (as modified by the May 2023 Order and this Order); and
- 25.2 the performance of functions conferred on AEMO under this Order.
26. A further purpose of the Order is to confer a function on AEMO and the CEO VicGrid to enter into an agreement for the recovery of the CEO VicGrid's costs of providing assistance to AEMO in the performance of AEMO's declared network functions in Victoria in relation to VNI West, pursuant to section 67 of the Act, set out in clause 4.3(f) of the Order.
27. In summary terms, this Order:
- 27.1 specifies VNI West as the augmentation referred to in Schedule 1 of this Order;
- 27.2 in relation to VNI West, confers upon AEMO the following functions:
- (a) conducting one or more limited or open tenders, in one or more stages, for all or any part of VNI West, to determine who AEMO should enter a VNI West development agreement with;
  - (b) entering one or more VNI West development agreements;
  - (c) conferring with the CEO VicGrid in relation to AEMO's functions under clauses 4.3(a) and 4.3(b);
  - (d) conferring with the CEO VicGrid in relation to the performance of AEMO's functions in respect of VNI West under the February 2023 Order as modified by the May 2023 Order and this Order;
  - (e) receiving assistance from the CEO VicGrid in relation to:
    - (i) the performance of the functions conferred on AEMO in respect of VNI West under the February 2023 Order as modified by the May 2023 Order and this Order; and
    - (ii) the performance of functions conferred on AEMO under this Order;

- (f) entering into an agreement with the CEO VicGrid in relation to functions and responsibilities under clause 4.3(e) and for the payment by AEMO to the CEO VicGrid of the CEO VicGrid's costs of providing assistance to AEMO under clause 5 of this Order (including the CEO VicGrid's costs of employing VicGrid employees and engaging VicGrid consultants and contractors).
- 27.3 provides that AEMO is required to seek the approval of the CEO VicGrid before entering into a VNI West construction agreement;
- 27.4 requires the CEO VicGrid to assist AEMO in the performance of:
  - (a) the functions conferred on AEMO in respect of VNI West under the February 2023 Order as modified by the May 2023 Order and this Order; and
  - (b) the functions conferred on AEMO under this Order;
- 27.5 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 WRL or the VNI West RIT-T ;
- 27.6 provides that AEMO's costs, including the costs for the provision of assistance by the CEO VicGrid, may be recovered in accordance with the existing rules and procedures for transmission charges relating to common transmission service costs; and
- 27.7 revokes clause 6.4 of the February 2023 Order (which related to AEMO entering into a VNI West construction agreement).
- 28. As explained in my reasons for making the February 2023 Order and the May 2023 Order, it was necessary to modify the operation of the Law and Rules in relation to VNI West, and to confer upon AEMO the early works functions, to seek to expedite the delivery of VNI West.
- 29. Noting AEMO's advice as to the status of the VNI West early works, I:
  - 29.1 agree with AEMO's recommendation that procurement of the next phase of the delivery of VNI West be conducted through a series of limited or open tenders, outside of the usual procurement requirements for contestable augmentations set out in the Rules, in order to preserve the expedition of the project;
  - 29.2 consider it appropriate to require the CEO VicGrid to assist AEMO with the performance of AEMO's declared network functions for VNI West, to ensure any subsequent transfer of AEMO's declared network functions to VicGrid does not impact the timelines, system security or the immediate and medium term needs of the national electricity system given the importance of VNI West; and
  - 29.3 given that assistance and cooperation, consider that the CEO VicGrid is the appropriate person to approve a VNI West construction agreement. This means it is necessary and appropriate to revoke clause 6.4 of the February 2023 Order.
- 30. Finally, I also consider it appropriate for AEMO to recover:
  - 30.1 AEMO's costs of directly undertaking functions; and
  - 30.2 AEMO's costs of reimbursing the CEO VicGrid for undertaking assistance functions, on terms to be agreed between them,because:
  - 30.3 AEMO would not otherwise be able to carry out the functions required or provided to it under this Order; and
  - 30.4 it is appropriate for AEMO and the CEO VicGrid to agree on the terms of reimbursement, to ensure that is aligned to the provision of assistance from time to time and recovery mechanisms.

**CONSULTATION OBLIGATIONS**

31. I have consulted on this proposed Order with the Premier, the Treasurer and AEMO in accordance with section 16ZA of the Act.
32. On 24 and 21 October respectively, I received letters from the Premier and Treasurer which confirmed that they did not propose any amendments.

**REASONS FOR MAKING THE ORDER**

33. In considering and making this Order, I have had regard to:
  - 33.1 the terms of section 16Y and related provisions of the Act;
  - 33.2 the secondary material concerning section 16Y and related provisions, including each of the matters in section 16Z and specifically more recent sub-sections 16Y(2)(ja) and (6);
  - 33.3 each of the modifications and disallowances of provisions of the NEL and NER made by the Order (and the impact of each such modification, against a position where each modification were not made);
  - 33.4 the current status of the VNI West Project;
  - 33.5 AEMO's ongoing concerns about ongoing threats and challenges to the national electricity system and in Victoria, posed by the exit of thermal coal generators from the system.
  - 33.6 AEMO's expert opinion that the timely delivery of VNI West:
    - (a) is a key factor in significantly improving reliability outcomes in Victoria and the wider NEM; and
    - (b) addresses crucial national electricity system needs as part of the ODP;
  - 33.7 the State's energy policies and legislated commitments to achieve net zero carbon emissions by 2045;
  - 33.8 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 timely completion of VNI West;
  - 33.9 the costs and other impacts of making or not making the order on electricity bills; and
  - 33.10 the other matters set out in these reasons.
34. 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.
35. I consider that the continued expedited development of VNI West is consistent with the use of the powers in section 16Y of the Act and the stated purpose and intent of those provisions. It achieves these things in part: by modifying and disallowing a number of provisions of the NEL and the NER. Without such modifications or disallowances, I consider that VNI West would not be delivered within the time presently planned for by AEMO, which would:
  - (a) result in significant risks to the reliability of supply to the Victorian declared transmission system and participating NEM regions; and
  - (b) impose additional costs on consumers, both in Victoria and in participating regions, by delaying access to new energy zones and requiring expenditure in work arounds until the project can be delivered.
36. Details of the changes to the NEL and NER 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.
37. The Order also provides that AEMO's costs of undertaking these functions will be recoverable as a transmission use of service charge, apportioned to customers in accordance with the existing Rules and procedures. These costs are expected to add a small amount

to typical household electricity bills over the life of VNI West. I consider that this is appropriate because:

- 37.1 AEMO would not otherwise be able to carry out the functions required or provided to it under this Order; and
  - 37.2 it is consistent with the existing rules and procedures for transmission charges relating to common transmission service costs.
38. I have considered this increase against the impact on electricity bills caused by delay to VNI West. I am advised that modelling estimates that an average Victorian residential electricity bill:
- 38.1 may increase by an additional \$1,500 over 15 years, with a two-year delay to VNI West (equivalent to \$100 a year); and
  - 38.2 may increase by \$4,800 over 15 years, with a four-year delay to VNI West (equivalent of \$320 a year).
- (Endgame Economics: Modelling Electricity Bill Impacts of Transmission Project Delays 7 June 2022, page 11).
39. I consider that VNI West is essential to putting downward pressure on Victorian electricity bills:
- 39.1 a delay to VNI West beyond the announced delivery date of CY 2028 results in higher bills for consumers. (NEXA Advisory: The Real Cost of Delaying or Cancelling VNI West January 2023, page 4); and
  - 39.2 if VNI West were not built, more new renewable generation and the transmission to connect it will be needed in Victoria than would otherwise be the case. I am advised that the cost of this is in the order of \$5.07bn. This does not include the cost of transmission and grid connections. (NEXA Advisory: The Real Cost of Delaying or Cancelling VNI West January 2023, page 4).
40. I consider that modifying the operation of the Law and Rules in relation to the VNI West Project procurement process is likely to reduce long term expenditure and the financial impact of any delay in project completion by:
- 40.1 facilitating a more efficient project procurement and delivery; and
  - 40.2 reducing overall project timelines.
41. 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 project, including on costs. This is why the Order provides that AEMO must not enter into a construction contract for the VNI West Project without the approval of the CEO VicGrid.

## CONCLUSIONS

42. I am satisfied that:
- 42.1 the proposed Order relates to the carrying out of an augmentation to the Declared Transmission System;
  - 42.2 the Order adequately specifies those relevant augmentations; and
  - 42.3 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.
43. Having regard to the above matters, I have decided to make this Order 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 NEM jurisdictions.

## Appendix A

Law	Rules	Modification	Subject	Reason for Modification
50F(2)		Disapply	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)		Disapply	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		Disapply	Resolution of dispute arising from attempt to negotiate a network agreement or augmentation connection agreement	Both WRL and VNI West have or will have network connection agreements. The effect of this modification is to prevent any dispute between AEMO and a DTSSO 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.
	5.15A	Disapply	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	Disapply	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	Disapply	Application of the RIT-T to actionable ISP Projects	As above. VNI West is an actionable ISP project.
	5.16B	Disapply	Disputes in relation to application of regulatory investment test for transmission	As above.
	6A.3.3	Modify	For the purposes of clause 6A.3.3 of the Rules, AEMO is not a Transmission Network Service Provider in relation to assets that form part of VNI West.	It is appropriate to exempt AEMO from the operation of this Rule as if the assets were contestable; the Order provides that the augmentation will be conducted on a contestable basis. [AEMO to review]
	S6A.4.2 (c)(11)	Modify	S6A.4.2(c)(11) of the Rules is deemed to apply to a declared transmission system operator who receives concessional finance for assets that forms part of VNI West.	It is appropriate to modify this rule to require that a TNSP that receives relevant concessional finance be required to provide AEMO with a copy of the concessional finance agreement. [AEMO to review]
	8.11.4	Disapply	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	Disapply	Contestable augmentations	<p>Under this rule certain augmentations of declared shared networks are required to be contestable.</p> <p>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.</p> <p>Disapplying this provision enables the State and AEMO to progress the most efficient procurement approach and maximise the possibility of accelerating delivery and construction.</p>
	8.11.8	Disapply	Funded augmentations that are not subject to the tender process	This clause applies to certain contestable augmentations. It is disappplied for the same reasons set out in re 8.11.6.
	8.11.9	Disapply	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 disappplied for the same reasons set out in re 8.11.6.
	Schedule 8.11	Disapply	Principles to be reflected in agreements relating to contestable augmentations	As above.
	AEMO's planning criteria published in accordance with clause 8.11.4 of the Rules	Disapply	Planning Criteria	The planning criteria, which require AEMO to carry out a cost benefit analysis of the proposed augmentation, are dis-applied because section 50F(2) of the NEL has been dis-applied.

HON. LILY D'AMBROSIO  
Minister for Energy and Resources

**National Electricity (Victoria) Act 2005****CEO VICGRID TO ASSIST AEMO (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](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:

**20 February 2023 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.

**27 May 2023 Order** means the Order made by the Minister under section 16Y of the Act dated 26 May 2023 and published in Special Gazette No. S 267 on 27 May 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 includes:

- (a) costs of carrying out or procuring the carrying out of the functions under this Order, including those paid or payable to a declared transmission system operator;
- (b) costs for the provision of assistance by the CEO VicGrid; and
- (c) if applicable, AEMO's contracting costs,

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: see section 16Y(6) of the Act.

**AEMO's contracting costs** means costs AEMO incurs as a result of entering into a WRL agreement, including (without limitation) any:

- (a) amounts payable by AEMO under a WRL agreement or imposed by law in connection with that document; and
- (a) other costs AEMO incurs in performing, complying with, administering, managing or enforcing a WRL agreement.

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

**CEO VicGrid** has the same meaning as in the Act.

**CEO VicGrid Agreement** means the agreement required under clause 4.3(d).

**concessional finance** has the same meaning as in Chapter 10 of the Rules.

**declared network functions** means AEMO's declared network functions as set out in section 50C(1) of the Law.

**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.

**Minister** means the Minister responsible for administering the Act.

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

**project assessment conclusions report** has the same meaning as in the Rules.

**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.

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

**VicGrid** means the administrative office of the Victorian Department of Energy, Environment and Climate Action, established by the Governor in Council under section 11 of the **Public Administration Act 2004**.

**VicGrid employee** means a person employed under Part 3 of the **Public Administration Act 2004** and who assists, or carries out functions on behalf of, the CEO VicGrid under this Order.

**VNI West** means the augmentation described as the preferred option in the VNI West project assessment conclusions report published by AEMO in May 2023.

**VNI West RIT-T** means the RIT-T for VNI West jointly conducted by NSW Electricity Networks Operations Pty Limited as trustee for NSW Electricity Networks Operations Trust (trading as TransGrid) and AEMO.

**WRL RIT-T** means the RIT-T for the Western Renewables Link conducted by AEMO.

**Western Renewables Link** or **WRL** means the proposed augmentation described in clause 3.1.

**WRL agreement** means any variation of a WRL Project Document necessary or convenient to implement an option (in whole or in part) other than the preferred option under the WRL PACR or any agreement for the procurement or disposal of long lead time items of capital equipment for use in the construction or operation of the WRL Uprate.

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

**WRL PACR** means the project assessment conclusions report for Western Renewables Link published by AEMO in July 2019.

**WRL Uprate** means the proposed augmentation specified in clause 3.2.

### 3. SPECIFICATION OF AUGMENTATION

#### Specified augmentation-WRL

3.1 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 station; 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**

- 3.2 Without limiting clause 3.1, the carrying out of all works described in Schedule 1, 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.
- 3.3 For the avoidance of doubt, all works carried out by AEMO under clause 6 of the 20 February 2023 Order and clause 4 of the 27 May 2023 Order (and whether before or after the date of this Order) in respect of the WRL or the WRL Uprate are part of the augmentations specified in clause 3.1 or 3.2 (as applicable).
- 3.4 The functions conferred under clause 6 of the 20 February 2023 Order (as modified by this Order) and clause 4 of the 27 May 2023 Order (as modified by this Order) extend to the WRL Uprate being the specified augmentation referred to in clause 3.2.

## **4. AEMO'S FUNCTIONS**

### **Functions conferred on AEMO by this Order**

- 4.1 AEMO must carry out the functions in respect of the WRL and WRL Uprate conferred on it by this Order under clause 4.3.
- 4.2 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 clause 4.2(a), limits AEMO in terms of any other agreement that AEMO has entered into or may enter into in respect of the declared transmission system.

### **AEMO's functions in respect of the WRL and WRL Uprate**

- 4.3 AEMO is conferred the following functions in respect of the WRL and the WRL Uprate:
  - (a) subject to clause 4.4, entering into one or more WRL agreements;
  - (b) conferring with the CEO VicGrid in relation to the performance of AEMO's functions:
    - (i) under this Order; and
    - (ii) under the 20 February 2023 Order and the 27 May 2023 Order, insofar as those Orders relate to the WRL or the WRL Uprate;
  - (c) receiving assistance from the CEO VicGrid in relation to:
    - (i) the performance of AEMO's declared network functions in Victoria in relation to the WRL or the WRL Uprate;
    - (ii) the performance of the functions conferred on AEMO in respect of the WRL or the WRL Uprate under the 20 February 2023 Order and 27 May 2023 Order (as applicable);
    - (iii) the performance of functions conferred on AEMO under this Order;
  - (d) entering into an agreement with the CEO VicGrid in relation to functions and responsibilities under clause 4.3(c) and for the payment by AEMO to the CEO VicGrid of the CEO VicGrid's costs of providing assistance to AEMO under clause 5 of this Order (including the CEO VicGrid's costs of employing VicGrid employees and engaging VicGrid consultants and contractors);

- (e) exercising and enforcing its rights and performing its obligations under or in respect of any WRL agreement entered into under clause 4.3(a); and
  - (f) any other function related to or arising from clauses 4.3(a) to 4.3(e) above.
- 4.4 AEMO must not enter into a WRL agreement without the prior approval of the CEO VicGrid or another Ministerial Order.

## 5. CEO VicGrid

- 5.1 The CEO VicGrid is required to assist AEMO in the performance of:
- (a) AEMO's declared network functions in Victoria in relation to the WRL or the WRL Uprate;
  - (b) the functions conferred on AEMO in respect of the WRL or the WRL Uprate under the 20 February 2023 Order and 27 May 2023 Order (as applicable); and
  - (c) the functions conferred on AEMO under this Order.
- Note: see section 16Y(2)(ja) of the Act
- 5.2 The CEO VicGrid may assist AEMO under clause 5.1:
- (a) directly; or
  - (b) indirectly:
    - (i) through an agent or delegate;
    - (ii) by directing a delegate or VicGrid employee; or
    - (iii) by procuring, contracting, or engaging services.

## 6. MODIFICATION OF LAW AND RULES

- 6.1 For the purposes of section 50C(1)(f) of the Law, AEMO's declared network functions are deemed to include the activities and functions of the CEO VicGrid under clause 5 of this Order.

Note 1: see section 16Y(1)(c) of the Act.

Note 2: nothing in this Order limits the CEO VicGrid's functions under the Act.

- 6.2 The following provisions do not apply in respect of the augmentations specified 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.

For the avoidance of doubt, the effect of this clause 6.2 is to disapply these provisions from any of AEMO's functions conferred under this Order.

- 6.3 For the purposes of clause 6A.3.3 of the Rules, AEMO is not a Transmission Network Service Provider in relation to assets that form part of the WRL or the WRL Uprate.

Note: see clause S6A.4.2(c)(10) of the Rules.

- 6.4 Clause S6A.4.2(c)(11) of the Rules is deemed to apply to a declared transmission system operator who receives concessional finance for assets that form part of the WRL or WRL Uprate.

## 7. 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 WRL RIT-T or the VNI West RIT-T for the purposes of clauses 5.16.4 and 5.16A.4 of 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 complying with this Order, including without limitation the carrying out of any of the functions conferred by this Order or the incurring of AEMO's costs, including the costs of the CEO VicGrid, 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 2024 to take effect from 1 July 2024;
  - (c) AEMO may amend its revenue methodology for this and each relevant subsequent regulatory year to provide for AEMO's costs;
  - (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; and
  - (e) AEMO must pay to the CEO VicGrid amounts AEMO collects in respect of the CEO VicGrid's costs of providing assistance to AEMO under clause 5 of this Order.
- 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. OTHER**

- 9.1 Clause 6.5 of the 20 February 2023 Order is revoked.
- 9.2 Clause 4.9 of the 27 May 2023 Order is revoked.

**10. SAVINGS**

- 10.1 Nothing in this Order invalidates or limits anything done under the 20 February 2023 Order or the 27 May 2023 Order.
- 10.2 The 20 February 2023 Order and 27 May 2023 Order continue in full force and effect, save as modified by this Order.

Dated 4 November 2024

HON. LILY D'AMBROSIO  
Minister for Energy and Resources

**SCHEDULE 1****SPECIFIED AUGMENTATION – WRL UPRATE**

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

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

Construction of new 220kV circuit breakers and a second 220kV bus at BGTS to enable 220kV line termination rearrangements.

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

Construction of a new 500kV switchyard at or near BGTS, including two 500/220kV 1000 MVA transformers, transmission line realignment, site provisioning and 220kV line cut in works at BGTS.

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; and
- 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 CEO VICGRID TO ASSIST AEMO (WRL)  
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 WRL Ministerial Order under section 16Y of the Act.

**RELEVANT BACKGROUND MATTERS**

**Introduction – WRL, the WRL Uprate and interaction with VNI West**

1. The Western Renewables Link (**WRL**) is a proposed high capacity high voltage electricity transmission line that will carry renewable energy from Bulgana in Western Victoria to Sydenham in Melbourne's North West. The WRL Uprate has been identified by the Australian Energy Market Operator (**AEMO**) as part of the ISP optimal development path (ODP).
2. The WRL will also link VNI West to Victoria's electricity grid. VNI West is a proposed high capacity high voltage overhead transmission line between Kerang in Victoria and Dinawan in New South Wales. VNI West will link important renewable energy zones in New South Wales and Victoria and substantially increase Victoria's electricity export and import capacity.
3. The WRL Uprate is a proposed variation to the WRL, necessary to accommodate the proposed alignment of the VNI West Project.
4. Both the WRL and WRL Uprate are crucial to address ongoing electricity generation, transmission, reliability and capacity concerns identified by AEMO and interface with the VNI West Project.
5. I have previously made two Orders under section 16Y of the **National Electricity (Victoria) Act 2005** (the Act) in relation to the VNI West and WRL Projects:
  - 5.1 an Order dated 15 February 2023 and published in the Victorian Government Gazette number S 60 of 20 February 2023 (the **February 2023 Order**); and
  - 5.2 an Order dated 26 May 2023 and published in the Victorian Government Gazette number S 267 dated 27 May 2023 (the **May 2023 Order**), which also addresses the WRL Uprate.

**The February 2023 Order**

6. Under the February 2023 Order I conferred functions on AEMO including investigating alternate options to the preferred options described in the VNI West Project Assessment Draft Report and the WRL Project Assessment Conclusions Report.
7. In my published reasons for making the February 2023 Order, I said that:
 

*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.*

**The May 2023 Order**

8. Under the May 2023 Order I conferred upon AEMO certain functions to carry out early works in relation to the proposed WRL Uprate (**Uprate early works**). These are described in clause 4.6 of the May 2023 Order.
9. The Uprate early works functions authorised AEMO to commence preparatory work to progress development of the proposed WRL Uprate, in parallel with early works being undertaken by AEMO in relation to the VNI West project (pursuant to the February Order).



10. In my published reasons for making the May 2023 Order, I said that:  
*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.*
11. It is important that development of the WRL Uprate align with development of the VNI West project, because as I explained above, the WRL Uprate is necessary to connect VNI West to Victoria's existing declared transmission system.

#### **CONTINUING RELIABILITY CONCERNS RAISED BY THE TRANSMISSION PLANNER**

12. Since I made the May 2023 Order, AEMO has continued to warn of:
  - 12.1 ongoing risks to the reliability and security of Victoria's electricity supply; and
  - 12.2 the importance of delivery of the WRL Uprate and VNI West Project, to mitigate those risks.

Note: AEMO is national transmission planner for the National Electricity Market (NEM) and is the current transmission planner for Victoria, as an adoptive jurisdiction under the NEM.
13. In particular, I have had regard to the following AEMO publications:
  - 13.1 2022 and 2024 Integrated System Plans (ISP);
  - 13.2 Electricity Statement of Opportunities (ESOO):
    - (a) 2022 ESOO and 2022 ESOO Update;
    - (b) 2024 ESOO; and
  - 13.3 Victorian Annual Planning Report (**Planning Report**) 2023.
  - 13.4 AEMO's commissioned report "Western Renewables Link market benefits" dated March 2024.
14. AEMO has stated that:
  - 14.1 About 90% of the NEM's coal fleet is forecast to retire before 2035 in the most likely scenario, and the entire fleet before 2040 (2024 ISP, page 6).
  - 14.2 While almost all owners of coal generators have announced their long-term retirement plans, they are only required to give three and a half years' notice of a closure. This leaves the NEM very little time to respond if replacement investments are not planned and delivered. (2024 ISP, page 16).
  - 14.3 Over the reliability forecast horizon, the supply-demand balance in Victoria is forecast to progressively tighten as demand is expected to increase, driven by forecast electrification of residential, commercial, industrial and transportation loads (2024 ESOO, page 64).
  - 14.4 In Victoria, indicative reliability gaps are identified over the entire horizon against the reliability standard (2024 ESOO, page 66), although AEMO notes that the reliability risk has reduced from prior forecasts.
  - 14.5 The timely delivery of expected investments in generation, storage and transmission is critical to maintaining reliability for electricity consumers (2024 ESOO, page 3).
  - 14.6 The possibility that replacement generation is not available when coal power stations retire is real and growing, and a risk that must be avoided. The sooner firmed renewables are connected, the more secure the energy transition will be (2024 ISP, page 16).
  - 14.7 Major transmission augmentations such as WRL and VNI West have been identified as the most cost-effective way to deliver energy to consumers in the medium to long term. (Planning Report, page 26).

- 14.8 The WRL Uprate will
- (a) unlock renewable energy resources;
  - (b) reduce network congestion; and
  - (c) improve utilisation of existing assets,
- resulting in a higher capacity and harnessing 1,460 megawatts (MW) of renewable capacity rather than the original design of 600 MW (2023 Planning Report, page 5; 2024 ISP page 14).
- 14.9 The ODP as the most efficient path to maintain reliable and secure electricity supply as coal retires and to deliver the energy system needed for a net zero economy. Any delay to delivery of the ODP increases the likelihood of interruptions and higher costs (2024 ISP, pages 16 and 79). The latest ODP in the 2024 ISP, is based on an uprated WRL (2024 ISP page 14).

#### STATUS OF WRL UPRATE EARLY WORKS

15. On 17 September 2024, the CEO of AEMO, Mr Daniel Westerman, wrote to the CEO of VicGrid, stating that AEMO was progressing the WRL Uprate early works including:
- 15.1 working to obtain a detailed breakdown of costs to procure the WRL Uprate;
  - 15.2 investigating procurement options; and
  - 15.3 working with the incumbent TNSP on other aspects of the early works.
16. In his letter, Mr Westerman requested that I consider conferring on AEMO the following further functions:
- 16.1 with my approval, the entry into a WRL development agreement (which I understand to be an agreement for the implementation of the WRL Uprate), including exercising and enforcing AEMO's rights, and performing AEMO's obligations in respect of that agreement; and
  - 16.2 with my approval, the entry into any agreement for the procurement or disposal of long lead time items of capital equipment, for use in the construction or operation of the WRL Uprate.
17. In December 2019, AEMO entered into agreements with Ausnet Services Group to plan, design, construct, own, operate and maintain the WRL. AEMO requires authorisation to amend or vary those project documents, in order to procure the WRL Uprate.

#### CEO VICGRID TO ASSIST

18. VicGrid is an administrative office of the Victorian Department of Energy, Environment and Climate Action, established by the Governor in Council under section 11 of the **Public Administration Act 2004**.
19. The CEO VicGrid is the public service body head of VicGrid and is conferred functions:
- 19.1 for transmission planning (including cooperating with AEMO); and
  - 19.2 as conferred under any Order made under section 16Y of the Act.
20. VicGrid:
- 20.1 assists the CEO VicGrid in carrying out the CEO VicGrid's functions; and
  - 20.2 has assisted AEMO in coordinating certain early works in relation to the WRL Uprate since I made the February 2023 Order.
21. Under section 16Y(2)(ja) of the Act I may *require the CEO VicGrid to assist AEMO in the performance of any of AEMO's functions specified in the Order*. I consider that doing so in this instance is appropriate and efficient. In part, this is because of:
- 21.1 the important role VicGrid has played, to date, in assisting AEMO in relation the WRL Project and other transmission projects; and
  - 21.2 the CEO VicGrid's functions referred to above.

22. Based on VicGrid's involvement to date, in contributing to ensure delivery to meet the timeframes identified by AEMO, and conscious of the potential future transfer of functions, I consider that it is efficient and cost effective for the CEO VicGrid to assist AEMO in the performance of AEMO's declared network functions in Victoria in relation to the WRL Project and WRL Uprate in relation to the functions conferred on AEMO under the May 2023 Order and this order, in each case pursuant to section 16Y(2)(ja) of the Act.
23. Victoria is also progressing proposed legislative reforms, to change the way transmission for the declared shared network is planned and developed through the Victorian Transmission Investment Framework. As part of that reform, I anticipate that the functions for the planning and procurement of augmentations in Victoria, together with the subsequent provision of shared transmission services, will be transferred to the CEO VicGrid. Any transfer is subject to legislation passing through Parliament next year. If the transfer proceeds, it is likely to include a transfer of the functions conferred on AEMO under the February 2023 Order and the May 2023 Order, to the CEO VicGrid. I make this order on the basis of current arrangements, but aware of the potential for future legislative reform.

### **LEGISLATIVE FRAMEWORK**

24. 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.
25. I have carefully considered the stated purposes of the relevant provisions and secondary material concerning the purposes of their inclusion in the Act. In particular:
  - 25.1 that material emphasises that the power in section 16Y of the Act enables 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; and
  - 25.2 in relation to the more recently introduced provisions 16Y(2)(ja) and (6), that those provisions:
    - (a) extend the Minister's powers to direct that the CEO VicGrid assist AEMO in the performance of a function specified in an order; and
    - (b) provide that costs incurred by AEMO in respect of a specified augmentation include costs for the provision of assistance by the CEO VicGrid, enabling AEMO to recover these costs.

### **A SUMMARY OF THE EFFECT OF THE ORDER**

26. In summary terms, this order:
  - 26.1 specifies the augmentation referred to in clauses 3.1 and 3.2 of the Order;
  - 26.2 in relation to the WRL and WRL Uprate, confers upon AEMO the following functions:
    - (a) conferring with the CEO VicGrid in relation to the performance of AEMO's functions under the February 2023 Order and May 2023 Order insofar as they relate to the WRL or the WRL Uprate;
    - (b) receiving assistance from the CEO VicGrid in relation to:
      - (i) the performance of AEMO's declared network functions in Victoria in relation to the WRL or the WRL Uprate;
      - (ii) the performance of the functions conferred on AEMO in respect of the WRL or the WRL Uprate under the February 2023 Order and May 2023 Order (as applicable);
      - (iii) the performance of functions conferred on AEMO under this Order;

- (c) entering into an agreement with the CEO VicGrid in relation to functions and responsibilities under (b) above and for the payment by AEMO to the CEO VicGrid of the CEO VicGrid's costs of providing assistance to AEMO (including CEO VicGrid's costs of employing VicGrid employees and engaging VicGrid consultants and contractors);
  - (d) subject to the CEO VicGrid's approval or another ministerial order, entering one or more WRL agreements;
  - (e) entering into, exercising, and enforcing its rights and performing its obligations under or in respect of, any WRL agreement.
27. A further effect of this order is to require the CEO VicGrid to assist AEMO in the performance of:
- 27.1 AEMO's declared network functions in Victoria in relation to the WRL or the WRL Uprate;
  - 27.2 the functions conferred on AEMO in respect of the WRL or the WRL Uprate under the February 2023 Order and May 2023 Order (as applicable); and
  - 27.3 the functions conferred on AEMO under this Order.
28. In addition, it is necessary to modify the operation of the Law and the Rules under this order:
- 28.1 to seek to expedite the delivery of both WRL and allow for the necessary contract amendments and other steps to enable the WRL Uprate; and
  - 28.2 ensure benefits resulting from opportunities for concessional finance are appropriately dealt with,
- in the manner set out in Appendix A.
29. I consider it appropriate to require the CEO VicGrid to assist AEMO with the performance of AEMO's declared network functions for WRL and the WRL Uprate:
- 29.1 to ensure any subsequent transfer of AEMO's declared network functions to VicGrid does not impact the timelines, system security or the immediate and medium-term needs of the national electricity system given the continued reliability concerns that the WRL Uprate is expected to help address; and
  - 29.2 because of the work the CEO VicGrid has performed to date in relation to WRL and other projects, particularly VNI West, in areas including community consultation and consultation with traditional owners and in relation to key contracts and procurement.
30. Finally, I also consider it appropriate for AEMO to recover:
- 30.1 AEMO's costs of directly undertaking functions; and
  - 30.2 AEMO's costs of reimbursing the CEO VicGrid for undertaking assistance functions, on terms to be agreed between them,
- because:
- 30.3 AEMO would not otherwise be able to carry out the functions required or provided to it under this Order; and
  - 30.4 it is appropriate for AEMO and the CEO VicGrid to agree on the terms of reimbursement, to ensure that is aligned to the provision of assistance and recovery mechanisms and that VicGrid is appropriately placed for any potential transfers.

### CONSULTATION OBLIGATIONS

- 31. I have consulted on this proposed Order with the Premier, the Treasurer and AEMO in accordance with section 16ZA of the Act 58.
- 32. On 24 and 21 October respectively, I received letters from the Premier and Treasurer which confirmed that they did not propose any amendments.

**REASONS FOR MAKING THE ORDER**

33. In considering and making this Order, I have had regard to:
- 33.1 the terms of section 16Y and related provisions of the Act;
  - 33.2 the secondary material concerning section 16Y and related provisions, including each of the matters in section 16Z and specifically more recent sub-sections 16Y(2)(ja) and (6);
  - 33.3 each of the modifications and disallowances of provisions of the NEL and NER made by the Order (and the impact of each such modification, against a position where each modification were not made);
  - 33.4 the current status of the WRL, WRL Uprate and VNI West Projects;
  - 33.5 AEMO's ongoing concerns about ongoing threats and challenges to the national electricity system and in Victoria, posed by the exit of thermal coal generators from the system.
  - 33.6 AEMO's expert opinion that the timely delivery of the WRL Uprate:
    - (a) is required to significantly improving reliability outcomes in Victoria and the wider NEM, including because of its interface with the VNI West Project and as part of the ODP; and
    - (b) delivers significant market and system benefits,
  - 33.7 the State's energy policies and legislated commitments to achieve net zero carbon emissions by 2045.
  - 33.8 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); and
  - 33.9 the other matters set out in these reasons.
34. 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.
35. I consider that the continued expedited development of the WRL Uprate is consistent with the use of the powers in section 16Y of the Act and the stated purpose and intent of those provisions. It achieves these things in part: by modifying and disallowing a number of provisions of the NEL and the NER. Without such modifications or disallowances, I consider that the WRL Project could not be modified, including through the WRL Uprate, in manner which enabled it to align to the VNI West Project and deliver significant other benefits.
36. If the project were not modified in this way, this would:
- 36.1 result in significant risks to the reliability of supply to the Victorian declared transmission system and participating NEM regions;
  - 36.2 place the VNI West Project at risk; and
  - 36.3 forego significant system and market benefits.
37. Details of the changes to the NEL and NER 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.
38. The Order also provides that AEMO's costs of undertaking these functions will be recoverable as a transmission use of service charge, apportioned to customers in accordance with the existing Rules and procedures. These costs are expected to add a small amount to typical household electricity bills over the 40-year life of VNI West. I consider that this is appropriate because:
- 38.1 AEMO would not otherwise be able to carry out the functions required or provided to it under this Order; and
  - 38.2 it is consistent with the existing rules and procedures for transmission charges relating to common transmission service costs.

39. 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 projects, including on costs. This is why the Order provides that AEMO must not enter into a WRL agreement without the approval of the CEO VicGrid.

#### **CONCLUSIONS**

40. I am satisfied that:
- 40.1 the proposed Order relates to the carrying out of an augmentation to the Declared Transmission System;
  - 40.2 the Order adequately specifies those relevant augmentations; and
  - 40.3 the making of the Order supports and provides the best opportunity for the State to secure the acceleration or expedition of those and related augmentations, to support the long term and secure supply of reliable and affordable energy to Victorian consumers.
41. Having regard to the above matters, I have decided to make this Order to further facilitate the expedited delivery of the WRL Uprate in order to meet a crucial national electricity system need in Victoria and other participating NEM jurisdictions.

**Schedule 1****SPECIFIED AUGMENTATION – WRL UPRATE**

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

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

Construction of new 220kV circuit breakers and a second 220kV bus at BGTS to enable 220kV line termination rearrangements.

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

Construction of a new 500kV switchyard at or near BGTS, including two 500/220kV 1000 MVA transformers, transmission line realignment, site provisioning and 220kV line cut in works at BGTS.

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; and
- 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.

## Appendix A

Law	Rules	Modification	Subject	Reason for Modification
50F(2)		Disapply	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 the Order.
50F(3)		Disapply	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		Disapply	Resolution of dispute arising from attempt to negotiate a network agreement or augmentation connection agreement	Both WRL and VNI West have or will have network connection agreements. The effect of this modification is to prevent any dispute between AEMO and a DTSO being referred to the AER. This may have conflicted with the functions conferred on AEMO under the Order.
	5.15A	Disapply	Regulatory investment test for transmission	Without this modification, VNI West and WRL would remain subject to the RIT-T Rules (including re-application 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 my previous Orders. This modification maximises the possibility of accelerating delivery and construction of the WRL Uprate and VNI West.
	5.16	Disapply	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	Disapply	Application of the RIT-T to actionable ISP Projects	As above. VNI West is an actionable ISP project



	5.16B	Disapply	Disputes in relation to application of regulatory investment test for transmission	As above.
	6A.3.3	Modify	For the purposes of clause 6A.3.3 of the Rules, AEMO is not a Transmission Network Service Provider in relation to assets that form part of WRL or WRL Uprate.	Reflecting the regulatory arrangements for Victorian transmission, it is not appropriate that AEMO be covered by this clause (but see below).
	S6A.4.2 (c)(11)	Modify	S6A.4.2(c)(11) of the Rules is deemed to apply to a declared transmission system operator who receives concessional finance for assets that forms part of r or WRL Uprate.	Reflecting the regulatory arrangements for Victorian transmission, it is appropriate to modify this rule to require that a TNSP that receives relevant concessional finance be required to provide AEMO with a copy of the concessional finance agreement.
	8.11.4	Disapply	Planning criteria	Under this provision AEMO must publish planning criteria outlining the principles on which AEMO carries out cost benefit analysis of proposed augmentations under section 50F of the Law, which has been disappplied – see above.
	8.11.6	Disapply	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.  Disapplying 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	Disapply	Funded augmentations that are not subject to the tender process	This clause applies to certain contestable augmentations. It is disappplied for the same reasons set out in re 8.11.6.
	8.11.9	Disapply	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 disappplied for the same reasons set out in re 8.11.6.
	Schedule 8.11	Disapply	Principles to be reflected in agreements relating to contestable augmentations	As above.
	AEMO's planning criteria published in accordance with clause 8.11.4 of the Rules	Disapply	Planning Criteria	The planning criteria, which require AEMO to carry out a cost benefit analysis of the proposed augmentation, are disappplied because section 50F(2) of the NEL has been disappplied.

HON. LILY D'AMBROSIO  
Minister for Energy and Resources

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