

TRANSGRID – REVENUE PROPOSAL: WARATAH SUPER BATTERY PROJECT

25 JULY 2023

INTRODUCTION

The Energy Users' Association of Australia (EUAA) is the peak body representing Australian commercial and industrial energy users. Our membership covers a broad cross section of the Australian economy including significant retail, manufacturing, building materials and food processing industries. Combined our members employ over 1 million Australians, pay billions in energy bills every year and in many cases are exposed to the fluctuations and challenges of international trade.

Thank you for the opportunity to make a submission under Transgrid's Revenue Proposal for the Waratah Super Battery.

The EUAA understands that the Waratah Super Battery project has been designated as a priority transmission infrastructure project under the *Electricity Infrastructure Investment Act (NSW) 2020* by the NSW Government. From this perspective, the EUAA recognizes that the project will proceed and be subject to the Transmission Efficiency Test specific to NSW, which has similar economic requirements to the regular Regulatory Investment Test – Transmission.

The EUAA supports the Waratah Super Battery project and its designation as a priority transmission infrastructure project by the NSW Government.

The EUAA does not support TransGrid's proposal to remove the Capital Expenditure Sharing Scheme (CESS) for over-spend on the project. The EUAA has arrived at this position by reason of:

- Transgrid argues that there exists an asymmetry in the budgetary risk profile related to a higher probability of overspend compared to underspend. At the same time, Transgrid is in charge of developing the costs and budgets of the project. The EUAA proposes that Transgrid need to achieve a more accurate cost estimate of at least an AACE International Class 2 or better cost estimate.
- Transgrid argues that equity injection from its investors are questionable with the CESS in place. The EUAA counters that Transgrid has one of the highest debt to equity ratios of the NEM's network service providers, and well above the recommended 60:40 debt to equity ratio.
- Transgrid argues that the 30% penalty imposed on overspend through the CESS is too high and wants to shift all of this risk onto consumers through the Waratah Super Battery RAB and therefore TUOS. The EUAA reminds Transgrid that consumers already carry a 70% penalty for overspend under the CESS that Transgrid is the best placed to manage. Consumers have no way of managing or influencing any overspend by Transgrid.

The EUAA believes that there are alternative solutions that Transgrid have not thoroughly explored to manage the alleged risk asymmetry.

The EUAA is a member of the Transgrid Advisory Council where we have voiced these concerns regarding TransGrid's proposal to remove CESS from its Integrated System Plan (ISP) projects, including the Waratah Super Battery project. We do not believe it is in the interest of consumers to be continually required to take on risks that they have no way of managing.

Do not hesitate to be in contact should you have any questions.



Andrew Richards
Chief Executive Officer