

AER DRAFT DECISION (NON-CONTESTABLE) – TRANSGRID – WARATAH SUPER BATTERY 2024–29

24 NOVEMBER 2023

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 the Draft Decision (non-contestable) – Transgrid - Waratah Super Battery 2024-29.

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 strongly supports all of AER's draft decisions for the Waratah Super Battery 2024-29.

The EUAA does not support Transgrid's Revised Revenue Proposal to remove the Capital Expenditure Sharing Scheme (CESS) and accelerated depreciation of the asset. The EUAA has arrived at this position by reason of:

- CESS:
 - Transgrid's Revised Revenue Proposal argues that the application of the CESS introduces an asymmetric risk for Transgrid due to the higher likelihood of overspend. However, we understand that the Network Operator Deed between Transgrid and EnergyCo transfers this risk to EnergyCo, which in turn passes these costs onto NSW consumers.
 - Transgrid's Revised Revenue Proposal also argues that no CESS is better for consumers, however the EUAA understands that this is only true in the unlikely event of an underspend.
 - 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 some 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.
 - As such, the EUAA rejects Transgrid's position on the CESS and strongly supports the inclusion of CESS in the revenue determination.
- Financeability:

- The EUAA has been vocal in its opposition to accelerated depreciation of new electricity network assets.
- Accelerated depreciation unfairly transfers costs (and risk) to consumers before the realisation of the consumer benefits (i.e. reduced costs) are realised.
- The EUAA deplores energy networks shifting risk to consumers when their businesses have been established to bear those risks.

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

The EUAA is disappointed with Transgrid's lack of transparency on issues surrounding the Waratah Super Battery Project, including not the transferring of risks through EnergyCo to NSW consumers, which removes incentives for Transgrid to minimise overspend.

The EUAA is a member of the Transgrid Advisory Council where we have voiced these concerns regarding Transgrid's proposals to remove CESS and accelerate depreciation on its Integrated System Plan (ISP) projects, including the Waratah Super Battery project.

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



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