SUBMISSION

VICGRID DRAFT 2025 VICTORIAN TRANSMISSION PLAN

24 JUNE 2025

INTRODUCTION

The Energy Users' Association of Australia (EUAA) is the peak body representing Australian commercial and industrial energy users. Our members are the engine room of the Australian economy, producing many of the products that households and business use every day including bricks, glass, steel, aluminium, paper, food and beverages. 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.

EUAA members are focussed on making products that meet their own customers' requirements where energy is just one input to the process, albeit a critical one. Their expectation is that the energy industry continues to provide energy services that are fit for purpose and consistent with the NEO so that our members can continue to provide a fit for purpose product for their customers.

Thank you for the opportunity to make a submission under Vicgrid's Draft 2025 Victorian Transmission Plan (VTP).

We broadly support the VTP in its current form. Of particular note, we are pleased to see that where possible the VTP utilises augmentations to existing transmission lines and easements and that the VTP draft renewable energy zones (REZ) are designed to deliver an efficient level of variable renewable energy (VRE) capacity required to deliver Victoria's transition to a net-zero electricity network. This is in contrast to other jurisdictions who have sought to maximise REZ size and number in order to maximise state based VRE opportunities as part of a "super power" VRE export strategy. This will almost certainly lead to over-investment in state-based energy infrastructure and higher fixed network costs.

It is also pleasing that VicGrid utilised AEMO's Integrated System Plan (ISP) Step Change Demand Scenario creating consistency across documentation and that VicGrid has worked with farmers, communities and First Nations to reduce the REZ sizes and green field transmission lines to minimise their impact.

Although we provide broad support for the VTP, there are areas for improvement which we will discuss further in this submission. These areas are:

- Coordination and integration
- Timing of projects
- True Costs
- Restrictive capacity of the REZ's
- Reliance on offshore wind and uptake of CER.

COORDINATION AND INTEGRATION

We are aware that AusNet Services is currently consulting on its Transmission Revenue Reset 2027-2032. Several projects that AusNet are currently consulting appear to contain duplicate equipment to what is required for the brown-field components of the VTP. We could not find a discussion on how the duplication, and therefore cost to consumers would be managed.

This also raises issues of contestability. Ideally, all projects in the VTP would be contestable to ensure the most efficient construction costs. However, it would be extremely detrimental to AusNet for their existing assets identified for augmentation under the VTP to be contestable without some form of compensation. Again, we could not find a detailed discussion in the VTP as to how this would occur to ensure efficient VTP construction costs.

We recommend that all augmentation projects (i.e. upgrading existing AusNet assets) be non-contestable while all new build projects should be contestable. For clarity:

Project	Non-Contestable	Contestable
Western Victoria Reinforcement Program (by 2028)	Augmentations and upgrades to existing lines	
Eastern Victoria Reinforcement Program (by 2028-2029)	Augmentations and upgrades to existing lines	A new line between Hazelwood and Yallourn
South West Expansion Program (2033)		A new double circuit 500kV line to Tarrone
Gippsland Offshore Wind Transmission Stage 2 (by 2033-2038)	UNCLEAR	UNCLEAR
Latrobe Valley Strengthening (by 2034-2035)	Powerflow controllers and dynamic load rating devices on existing assets	
North West Strengthening Program (by 2035)	Replacement of an existing single circuit with a new high-capacity double circuit.	
Offshore Wind Upgrade (by 2038)	Uprating of existing lines from Heywood to Portland	

As can be seen in the Table above, it is unclear to the EUAA as to the current progress of the Gippsland Offshore Wind Transmission Stage 1 to facilitate connection of the first 2GW of offshore wind, and hence Stage 2 becomes blurred in its definition. Again, the section of the VTP that covers this is insufficient to resolve this issue.

TIMING OF PROJECTS

We note that the Eastern and Western Reinforcement Programs only have 3 years for delivery and the projects identified in the VTP with the furthest completion dates: Offshore Wind Upgrades (Portland and Gippsland) just 13 years to plan and construct. This means that almost all projects will overlap in their delivery. We question whether these timelines are actually achievable.

We base this scepticism on the timelines for Western Renewable Link (WRL) and Victoria-New South Wales Interconnector West (VNI West). WRL was started in 2016 with the development of the Project Specification

Consultation Report (PSCR) and is expected to be energised in 2027 (11 years). Likewise, VNI West consultation commenced in 2018 and completion is expected in 2031 (13 years).

What this means for the VTP projects is a significant ramp-up of resources, in people and equipment, both of which are causing challenges in other jurisdictions. The VTP fails to address how the projects will be delivered in light of availability of the necessary skills and equipment.

TRUE COSTS

It is not until we arrived at page 95 of the VTP that costs are discussed. However, the cost provided is an AACE Class 5 estimate (i.e. -50% to +100%). This estimate is ALSO for a total build of all seven VTP projects at $4.3 billion. It was disappointing that this figure was not separated into individual projects, nor did it include existing ISP Committed, Anticipated or Actionable transmission projects. Based on recent experiences, Class 5 estimates can't be relied upon to understand final costs, so we expect this number to escalate over coming years.

We note that at this point, VicGrid has not provided the likely cost for each project and the total cost of the transition of Victoria's transmission network to a VRE dominated grid. We do not support this approach as it obscures the real cost of the transition. We recommend the latest known estimate or actual revealed costs for all projects, regardless of status, should be included in the final VTP. Where estimates indicate a degree of doubt (i.e. Class 4 or Class 3 estimates) then a range of potential costs estimates should be provided that reflect this uncertainty. Further, we recommend that VicGrid maintain a publicly accessible transmission projects reference source, including updated project costs estimate as a single reference source.

From that perspective, a clear omission from the VTP is a summary table that indicates the total costs (or range of potential costs) of transmission network augmentations across each project, including *Completed*, *In Construction*, *Anticipated*, *Committed*, *Actionable* and all draft proposed projects. We recommend that the final VTP and future VTPs contain such a summary table for easy stakeholder reference.

Additionally, the VTP does not detail how it came to the figure of $4.3 billion. What methodology was used? A long-held criticism of AEMO's ISP is that the cost estimates it contains are demonstrated to be massive under-estimates of the true costs of projects that have been constructed.

We note that AEMO has recently proposed a new approach[1] to its 2026 ISP project costs with cost increases (i.e. after inflation) of 25-55% for overhead transmission line projects and 10-35% transmission substation projects. However, these do not translate to existing projects i.e. if we were to take this proposed approach to costings and apply them to the estimates as they appeared in the relevant ISP for the following projects; Project Energy Connect, Marinus Link, HumeLink and Copper String, we still fall well short of the actual latest costs/estimates. We recommend that more work needs to be done on the costing methodology for the ISP and VTP to better reflect the actual cost of projects being delivered.

We recommend that VicGrid work with AEMO to develop a cost methodology that can better be relied upon by stakeholders, and if used to calculate existing projects, gets close to the actual cost.

[1] https://aemo.com.au/consultations/current-and-closed-consultations/2025-electricity-network-options-report-consultation

We also recommend that a table be inserted showing the impact that the Victorian transition to net zero has on future transmission use of system (TUOS) charges over time, demonstrating that VicGrid is fully transparent and consumers can make an informed decision on the costs and benefits.

RESTRICTIVE CAPACITY OF REZ'S

While it is commendable that VicGrid has identified "small" REZ's, similar to Queensland, that can hold the necessary VRE, and is not aiming to overbuild like another jurisdiction, we hold concerns about the drafting of the VTP that seems to maintain "flexibility" in REZ capacity but also places restrictions on capacities greater than those proposed.

As an example, the Central North is expected to cater for 50-100MW of VRE, far smaller than the average VRE currently being built. Should the size of VRE facilities currently being proposed by developers represent the most efficient economic scale, then there may not be much competition to fill 50-100MW, or worse, the cost to generate (i.e. the long run marginal cost) will be higher, creating higher energy bills for Victorian consumers.

Additionally, we see in the VTP that the proposed capacities of the REZs is indicative only, flexible and subject to developer proposals, however the VTP also states that proponents who build VRE within the capacity of the REZ will not be required to perform Network Impact Study, however those proponents whose projects are larger than the proposed REZ size will be subject to a Network Impact Study. The requirement of a Network Impact Study in order to build a VRE facility that exceeds the stated limits will likely act as a deterrent and therefore removes the flexibility.

We recommend that VicGrid look at these issues carefully and ensure that the flexibility exists, and deterrents are removed from future documents.

RELIANCE ON OFFSHORE WIND AND UPTAKE OF CER

While we understand that VicGrid are limited by existing Victorian Government policy, we are concerned that the VTP results in 1/3 of generation being onshore and 2/3 offshore. This concern arises from the experiences overseas in:

- increased cost of electricity from offshore wind, resulting in higher electricity bills for Victorians.
- the huge quantity (9GW) of offshore wind being proposed in a handful of mega-projects, creating an investment risk to the delivery of the VTP and a net-zero electricity grid.

As with a hydrogen led decarbonised economy, the Victorian Government has put a lot of its eggs in one basket with offshore wind.

What is missing from the VTP is an alternate plan should only 3 or 4.5 GW (representing 30% and 50%) of offshore wind eventuates. More clearly, what is the additional capacity required in each REZ and are the projects designed in such a way to cater for this or will further works need performing?

Additionally, how do we leverage interstate generation? As we are operating in a National Electricity Market and not in isolation.

Likewise, we are yet to be convinced that the levels of CER required by the VTP will be achieved and represents an efficient outcome. We consider 13.7GW of rooftop solar and 5.6 GW of residential batteries in Victoria by 2040 to be highly aspirational targets.

CONCLUDING REMARKS

The EUAA supports project proposals and plans that are based on evidence and achieve efficient, cost effective and equitable outcomes for networks, developers and consumers. In the energy sector under most circumstances, this is best achieved through a national approach and a sharp focus on the NEO. The EUAA does not support approaches that lack evidence or increase costs to consumers.

While the VTP has some very good points, worthy of broad support, more work needs to be done on coordination and integration with existing assets and asset owners, the timing of projects, costing models and transparency on true costs, consistency in REZ capacity flexibility and alternate plans if offshore wind and CER are not developed as much as the VTP suggests.

The EUAA welcomes further discussions around the issues raised in this submission.

Do not hesitate to be in contact with EUAA Policy Manager Dr Leigh Clemow, should you have any questions.

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