

Customer Forum Week 12: Repex major projects

Update for the Customer Forum

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1. Objectives for today

- ▶ **Reflect on the outcomes of the Deep Dive held on 12 March**
- ▶ **Understand the outcomes of the repex major project research**
- ▶ **Present updated price-reliability information to the Customer Forum**
 - › Updated for the change in major project portfolio due to REFCL
 - › Updated to compare the Customer Forum's portfolio option against those put forward by AusNet Services
- ▶ **Consider next steps**
 - › What further information is needed (if any) to agree on which repex major projects portfolio best reflects customer preferences and, therefore, finalise negotiations on this topic

2. 12 March Deep Dive - key issues raised (major repex projects only)



#	Issue raised	AST position
1	<p>Attendees sought evidence that each individual proposed project is the most economically efficient option?</p> <ul style="list-style-type: none"> • What other risks (i.e. in addition to the supply risk minutes shown on the charts) are taken into account, and how are these risks quantified? • What non-network solutions have been considered? 	<ul style="list-style-type: none"> • The proposed solution for each project has been identified through a robust economic assessment of a range of options • This assessment, and the justification for each proposed project, will be set out in planning reports submitted to the AER in July. These reports will show the options and risks considered and how the risks are quantified • RIT-Ds will also be completed for all projects exceeding \$5M
2	Attendees wanted to know what made AST's preferred option (i.e. option 2) more optimal than other options with similar trade-offs (e.g. option 4)	<ul style="list-style-type: none"> • Option 2 is the optimal portfolio as it addresses risks when it is economic to do so, based on the VCR and the quantified costs of safety and other risks • While option 4 has a slightly lower bill impact, it also fails to address supply risk that the VCR tells us customers are willing to pay to eliminate • This customer preference is supported by the findings of the March customer research
3	Attendees thought that careful consideration should be given to the March research findings, given the price impacts affect all customers but the reliability improvements are local	The March research findings deal with this issue by asking customers if they're willing to fund improvements in their location and improvements across all locations, at greater cost
4	AER questioned whether projects are to improve, or maintain, reliability	By replacing a poor condition asset with a new asset, the projects will improve local reliability. However, as reliability elsewhere on the network is expected to decline due to deteriorating assets that are not being replaced, overall reliability is maintained, consistent with the Rules

2. 12 March Deep Dive - other questions/comments from attendees

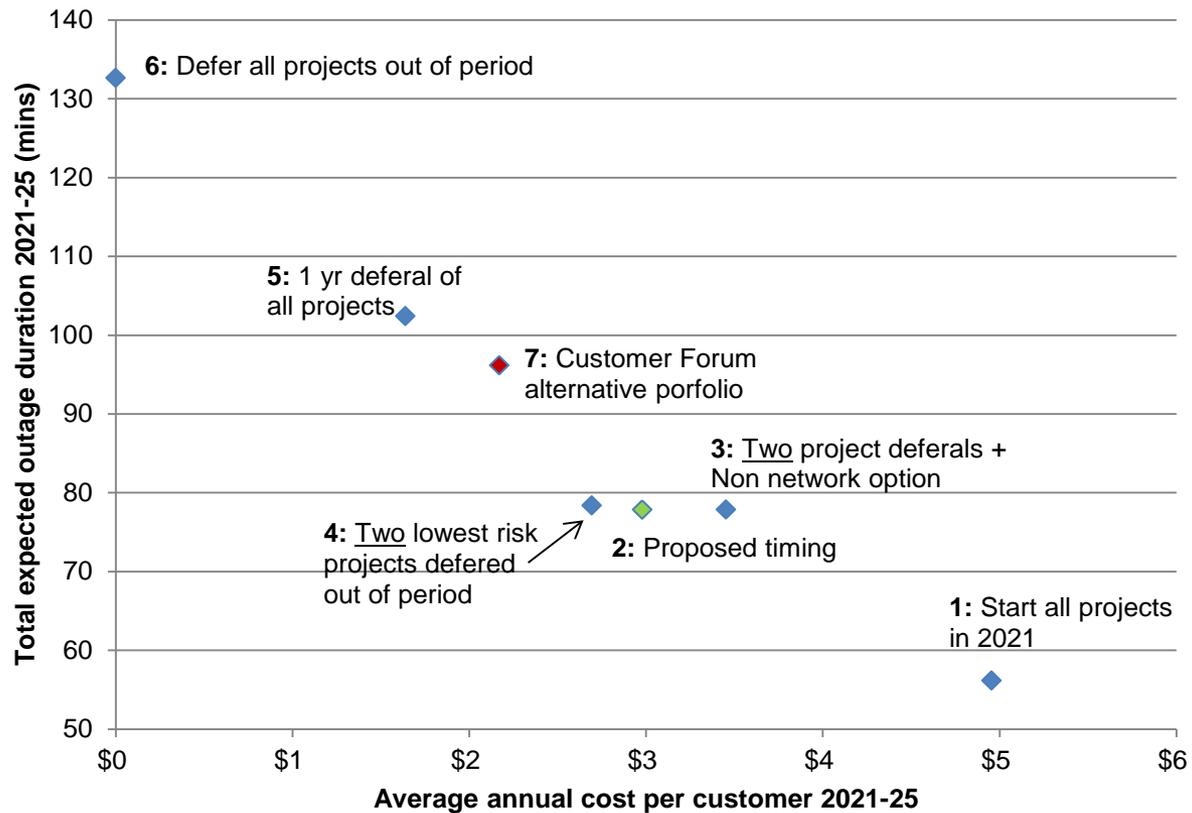


- **Is AST mostly replacing outdoor 22kv CBs with indoor? And do the assets proposed for replacement have the highest failure rates?**
- **Clarity is sought on how minutes off supply calculated – and that this is attributable only to the risk of asset failure**
- **What is the relationship/interdependency within the portfolio of projects? For instance, if one project went ahead would this change the case for another? e.g. Traralgon/Maffra**
- **How does AST make trade offs and prioritise between investing in different assets to reduce outages e.g. lines vs major projects?**
- **Further justification sought on our proposal to amend STPIS targets if we agree to deferrals**
- **Further evidence sought that deferrals would translate to reduced reliability**

3. Updated price/reliability trade-off charts - short term



Price-reliability trade-off of repex portfolio options (customer bill impact vs. outage duration – short-term 2021-25



3. Updated price/reliability trade-off charts - short term cont.



- ▶ **The chart shown on the previous slide now includes the Customer Forum’s alternative repex portfolio, which was reflected in the draft proposal (i.e. option 7). This option involves:**
 - › Deferral of Watsonia, Traralgon, Thomastown and Bayswater by one year;
 - › Deferral of Newmerella out of the period; and
 - › AST’s proposed timing for Maffra, Benalla and Warragul.

- ▶ **Compared to option 2, option 7 would:**
 - › Increase average outage duration by **18 mins** over the five-year period; and
 - › Reduce average annual bills by **\$0.81**

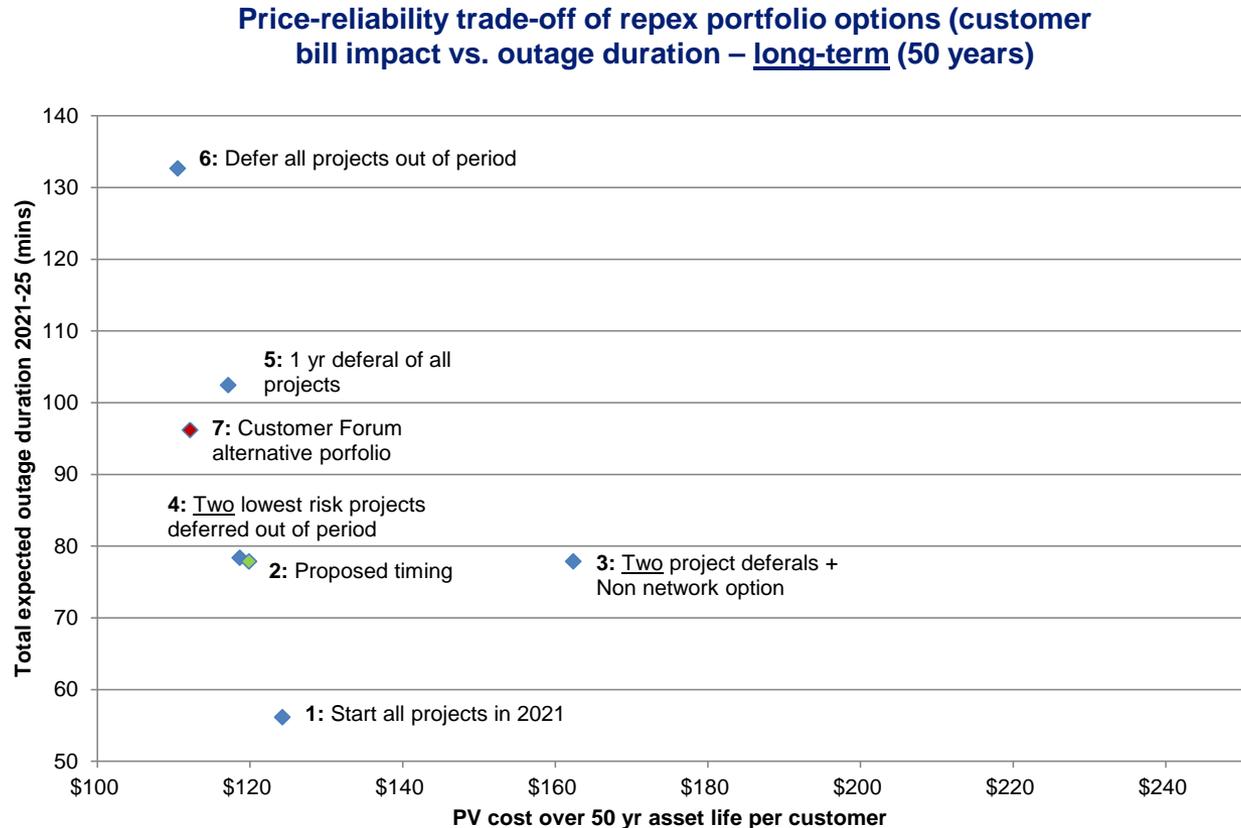
- ▶ **As Bairnsdale has been brought forward into the current period to align with REFCL work, it no longer features in any of the options shown. This change has:**
 - › Narrowed the difference between options 2 and 4 in terms of expected reliability impacts, as Bairnsdale was responsible for much of the expected minutes off supply in 2021-25. Over a 10-year period (i.e. 2021-30, not shown on the chart), option 4 would increase average outage duration by 3 mins relative to option 2
 - › Reduced the short-term cost of option 3, as diesel generation to defer Bairnsdale would no longer be required.

- ▶ **The economic timing for the remaining eight projects is currently being finalised and any changes will be communicated to the Customer Forum**

3. Updated price/reliability trade-off charts - long-term



- ▶ Over the long-term and compared to option 2, option 7 would reduce the total cost to customers by, \$7.72 per customer over 50 years
- ▶ Customers would also experience a total of 18 additional minutes off supply over the 2021-25 period



4. Questions for the Customer Forum

- ▶ **Having regard to the information presented today on the price/reliability outcomes of the various portfolios, the findings of the March customer research, and any other information considered relevant by the Forum:**
 1. Which of the seven options do you consider best aligns with customer preferences regarding cost and reliability outcomes, both during the 2021-25 period and over the long-term?
 2. Is further information from AusNet Services required to form a view on this issue?
 3. Is further customer research or engagement required to form a view on this issue?