

# Senate Select Committee on Energy planning and regulation in Australia

## Questions on notice – 5 December hearing: Australian Energy Regulator

### 1. Triggering of Reliability and Emergency Reserve Trader (RERT) mechanism

Hansard page: 12

**Senator CANAVAN:** The other thing I want to ask about is the RERT. Have you got any information on that yet?

**Ms Savage:** I'm not sure if we do yet, no.

**Senator CANAVAN:** You haven't got that? That's AEMO. They contract the RERT.

**Ms Savage:** AEMO has the responsibility for contracting the Reliability and Emergency Reserve Trader, usually done at least 12 months in advance—availability contracts and then payments, if it's—

**Senator CANAVAN:** I'm particularly interested in what was actually used last week.

**Ms Savage:** What was dispatched?

**Senator CANAVAN:** But you don't know? Presumably you will be provided that for your review of the high-priced days. Have you got information on the use of the RERT for the other events you've evaluated over the past two years, say?

**Ms Savage:** We do. Can you give me a moment to find that? From memory, I don't think the RERT was activated in the last 12 months before that. I remember reading this last night, and I can't find it now. Is it okay if we take that one on notice?

**Senator CANAVAN:** That's fine. To be clear, can we get on notice the amounts and dates for which the RERT was activated—not contracted or made available, but actually used—and exactly what resources were applied? Was it an aluminium smelter? Presumably new generation comes on as part of the RERT as well.

**Ms Savage:** No. In-market resources can't be—

**Senator CANAVAN:** It's only demand?

**Ms Savage:** Yes, or out-of-market resources.

**Senator CANAVAN:** Yes, okay. Anything like that then—exactly what was used. I'll go back to the question of the coal unit outages. You're saying that all four of those last week were planned.

#### Answer:

This question should be directed to the Australian Energy Market Operator (AEMO) for response. Reliability and Emergency Reserve Trader (RERT) is enacted by AEMO in situations where it believes there will be a possible shortfall in supply leading to system security issues. The [National Electricity Rules](#) require AEMO to, amongst other things, report on RERT (Rule 3.20.6). AEMO publishes its reporting on RERT on its website:

<https://www.aemo.com.au/energy-systems/electricity/emergency-management/reliability-and-emergency-reserve-trader-rert/rert-reporting>.

The objective of a RERT is to increase supply and/or reduce demand in times of scarcity by sourcing out of market demand response or supply increases.

When AER reviews high price events, it considers supply and demand conditions, RERT being one of them.

## 2. 5.16.6 Decision for Project Energy Connect

**Hansard page: 16-17**

**CHAIR:** Is it possible to get—and you might say they're available on your website—previous copies of the 5.16.6 assessment?

**Ms Savage:** Probably the most recent one we did was with Project EnergyConnect. That project went through the old rules. At the time we did the contingent project application decision, we also published a 5.16.6 decision for that. We can get a copy of that and provide that to the committee.

**Answer:**

The 5.16.6 decision for Project Energy Connect can be found on the AER website here:

<https://www.aer.gov.au/industry/networks/contingent-projects/electranet-sa-energy-transformation-regulatory-investment-test-transmission-rit-t/final-decision>

The specific document for the decision can be found here:

<https://www.aer.gov.au/system/files/AER%20-%20Determination%20-%20SAET%20RIT-T%20-%202024%20January%202020.pdf>

## 3. Timing of AER knowledge of HumeLink project cost increase

**Hansard page: 18-19**

**Senator CANAVAN:**...I have just some other questions before you go. I wanted to return to the HumeLink issue, which we'd taken some evidence on in between our hearings. When did the AER learn that the HumeLink project had increased in cost from \$3.9 billion to \$4.8 billion or \$4.9 billion?

**Ms Savage:** We got asked this question on notice, and I'll ask whoever that has response in front of them, because we had to do a bit of digging around to make sure we knew. It was July 2023, from memory. Who has a copy of that question on notice?

**Ms Jolly:** I'm just looking for that.

**Ms Savage:** Do we have the most recent one? That looks like the older ones.

**Ms Jolly:** I'm not sure.

**Senator CANAVAN:** Have a look through all the questions on notice. If you took a question on notice, you might have missed it, or I might have missed it. I had a look at them all and couldn't see it.

**Ms Savage:** That may have been a question we were asked through Senate estimates, and I think it might still be with the department.

**Senator CANAVAN:** Okay.

**Ms Savage:** I can tell you it's July 2023.

**Senator CANAVAN:** I haven't reviewed those ones. Could I get an answer on that?

**Ms Savage:** It's July 2023. I just need the team to check what date in July.

**Senator CANAVAN:** If you've prepared the answer, presumably you know it or someone else knows it, or someone can find it pretty quickly.

**Ms Savage:** We've got 17 July in this draft here.

**Senator CANAVAN:** 17 July 2023. Was that information you received from AEMO on 17 July?

**Ms Savage:** No. I'm just looking at the answer we've prepared here, which I note is still in draft form.

**Senator CANAVAN:** Yes, okay.

**Ms Savage:** But Transgrid staff met with AER staff to provide an update on costs and timing, and at that meeting Transgrid confirmed that it expected the total cost of HumeLink to be \$4.9 billion.

**Senator CANAVAN:** Okay. That was subsequently published by AEMO on 28 July in their 2023 *transmission expansion options* report. But then I have a report here—the contingent project early application stage 1 part 2 report, an AER determination published in August 2023—and

throughout that report HumeLink is described as a \$3.9 billion project. If you knew on 17 July that it was actually \$4.9 billion, why did this report refer to it as a \$3.9 billion project?

**Ms Savage:** Can I ask you to double-check it's August? Because I think that decision was made in April 2023.

**Senator CANAVAN:** I'll just read out the title. The report is *AER determination: HumeLink early works stage 1 (part 2) contingent project*. On that first page it says 'August 2023'.

**Ms Savage:** 17 August—no, that's 2022.

**Senator CANAVAN:** It doesn't have a date.

**Ms Savage:** So is it stage 1 part 1 or—

**Senator CANAVAN:** No. It's stage 1 part 2, and it says 'August 2023' on the title page. It doesn't have a date, just 'August 2023'. Throughout that report, HumeLink is described as a \$3.9 billion project.

**Ms Savage:** 25 August 2023 is when I think the decision was made on that.

**Senator CANAVAN:** Just to be clear, the decision was made 25 August?

**Ms Savage:** I'm just looking. I've got a timeline here for HumeLink, and it looks to me like we approved \$227.9 million for the long-lead equipment on 25 August 2023. When we get a proposal from a business, we can't insert our own views on it. We have to be told what—when we got that advice on 17 July 2023, it was in a meeting. The proposal and the documents that had been put to us by the business for that application would have been for the original amount of the \$3.9 billion, and that's what we would have been responding to. I just don't have all the documents in front of me. We can go and have a look at that, but, as I said, I think we made that decision on 23 August.

**Senator CANAVAN:** Okay, but you can see the issue I'm raising.

**Ms Savage:** Your issue is that we found out verbally in July—

**Senator CANAVAN:** You were advised by the proponent, Transgrid, on 17 July 2023 that, actually, the costs were \$4.9 billion. There is, on your website—I've just brought it up—a report dated August 2023, a month later, and the first line of this report says, 'HumeLink is an estimated \$3.9 billion transmission update, linking the Greater Sydney local area with the Snowy Mountains hydroelectric scheme.'

**Ms Savage:** I understand the point you're making. What I'm just wanting to double-check is—given we found out in a meeting as opposed to people formally advising us of a change in the cost of the project, we may or may not have been able to take account of that in that decision legally. That's what I'm just not certain of. We would have made that decision as a board prior to the date on 25 August as well.

#### **Answer:**

The Australian Energy Regulator (AER) had regular engagement with Transgrid throughout the duration of the contingent project application for Humelink. This included through Transgrid Advisory Council (TAC) meetings, and regular staff engagement, where Transgrid had begun indicating general cost pressures from April 2023.

On 17 July 2023, Transgrid staff met with AER staff to provide a verbal update on costs and timing. At this meeting, Transgrid indicated that its updated estimate of the total cost of Humelink to be \$4.9 billion (\$2023-24). This update was the first time AER staff were informally advised by Transgrid of the potential cost increase.

Transgrid's Humelink Early Works Stage 1 Part 2 contingent project application was for \$226.7 million (\$2022-23) for the procurement of long lead equipment. The August 2023 AER decision was solely concerned with assessing the \$226.7 million proposed in early works for the Humelink Stage 1 Part 2 contingent project application which Transgrid was eligible to submit to the AER for assessment.

The Stage 2 contingent project application decision (August 2024) proceeded on the basis of the updated total cost of the project of \$4.9 billion (\$2023-24) following the feedback loop

assessments undertaken by the Australian Energy Market Operator, and consideration of whether this updated forecast was a material change in circumstances.