



Consumer
Trustee

Statement of Reasons

Authorisation of Enabling Central-West
Orana Renewable Energy Zone Network
Infrastructure Project

Public summary of reasons for Consumer
Trustee's authorisation decision

June 2024



Important notice

The Consumer Trustee has published this summary of reasons for its decision to authorise the Enabling Central-West Orana Renewable Energy Zone Network Infrastructure Project for information purposes only. It is published to outline the approach taken by the Consumer Trustee in reaching its decision, is a summary of that decision and is not intended to be comprehensive. To the maximum extent permitted by law, the Consumer Trustee (including its officers, employees, agents, contractors and consultants) expressly disclaims any and all liability relating to or resulting from the use of, or reliance on, the information in this document by any person or entity.

Any specific questions should be addressed to the Consumer Trustee at stakeholderengagement@aemoservices.com.au

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Summary

Context

The *Electricity Infrastructure Investment Act 2020 (EI Act)* creates a framework for the delivery of new network infrastructure in NSW renewable energy zones (**REZs**). Under this framework AEMO Services Limited (**AEMO Services**), as the Consumer Trustee, considers recommendations from the Energy Corporation of New South Wales (**EnergyCo**) as Infrastructure Planner for network infrastructure projects in REZs, and whether to authorise the recommended network operator to carry out the recommended project.

Under this framework, the Infrastructure Planner assesses different options for “REZ Network Infrastructure Projects” and recommends which REZ Network Infrastructure Project option best meets consumer and community needs to the Consumer Trustee.

The Infrastructure Planner also assesses and recommends a network operator to carry out the project as well as overseeing the design and delivery of the project, including undertaking engagement with local communities.

On receiving a recommendation from the Infrastructure Planner, the Consumer Trustee is to independently satisfy itself that the recommended project is in the long-term financial interests of NSW electricity customers (or **customers**). To determine this, the Consumer Trustee considers the information set out in the Infrastructure Planner’s recommendations and undertakes its own cost-benefit analysis (**CBA**). It also has to determine if the project meets other legislative requirements for authorisation.

If the Consumer Trustee authorises the Infrastructure Planner’s recommended network operator and project, the Australian Energy Regulator (**AER**), in its role as Regulator, will then determine the prudent, efficient and reasonable costs payable to the network operator for the delivery of the project.

Decision

The Consumer Trustee has received a recommendation from the Infrastructure Planner for two REZ Network Infrastructure Projects (**RNIP**) in the Central-West Orana (**CWO**) REZ:

- The **Main CWO REZ Network Infrastructure Project** to be carried out by the ACERREZ Partnership, which in summary involves the construction and operation¹ of new network infrastructure in the CWO REZ to enable the connection of renewable generation projects.
- The **Enabling CWO REZ Network Infrastructure Project** to be carried out by Transgrid, which in summary involves the construction and operation of new network infrastructure to connect the Main REZ Network Infrastructure Project to the existing NSW transmission network and augment the capacity of the existing transmission network.

Together, the projects are intended to deliver an additional 4.5 GW of network transfer capacity by 2027-28 to enable up to 5.84 GW of new renewable generation and storage to connect to the electricity network in NSW.

This document summarises reasons for the Consumer Trustee’s decision relating to the Enabling CWO REZ Network Infrastructure Project to be carried out by Transgrid. The Consumer Trustee has published another document summarising the reasons for the decision relating to the Main CWO REZ Network Infrastructure Project to be carried out by the ACERREZ Partnership.

After considering the Infrastructure Planner’s recommendations, the Consumer Trustee has decided to authorise Transgrid to develop, construct, own, control and operate the Enabling CWO REZ Network Infrastructure Project.

In making this decision, the Consumer Trustee has adopted a risk-based approach to identify whether the risks and foregone opportunities for NSW electricity customers of not authorising the project outweigh the risks of authorising it. The Consumer Trustee adopted this approach given the large degree of uncertainty about the speed and scale of investment required to deliver on the energy transition in NSW, which gives rise to investment uncertainty and risks of both under and over investment.

¹ This includes network infrastructure both within and outside the geographical area of the CWO REZ as specified in the CWO REZ Declaration. See Government Gazette of NSW Number 137 of 19 April 2024.

The Consumer Trustee's decision is based on its consideration of the Infrastructure Planner's recommendations and its own cost-benefit analysis (**CBA**). The CBA shows that, on the balance of optimistic and conservative scenarios, the project is likely to be beneficial for NSW electricity customers. The CBA results also demonstrate that NSW electricity customers are likely to be worse off if the project does not proceed. This is particularly the case if the future follows a fast change trajectory with a high rate of electrification, consistent with a scenario aligned to achieve state and federal renewable energy and net zero targets.

While the results of the Consumer Trustee's CBA are confidential, the final outcome is broadly aligned with the CBA undertaken by the Infrastructure Planner to inform its recommendations to the Consumer Trustee. [EnergyCo's CBA](#) found that under a central scenario the two CWO RNIPs delivered a net benefit of over \$3 billion (net present value, real, \$2022) to 2078.²

The Consumer Trustee has assessed whether risks related to the Enabling CWO REZ Network Infrastructure Project could impact on the full realisation of these benefits. Given the nature of the Enabling CWO REZ Network Infrastructure Project and its relatively small costs in comparison to the Main CWO REZ Network Infrastructure Project, the Consumer Trustee considers that the mitigants identified by the Infrastructure Planner are sufficient so that these risks are not material to the overall net benefit of the two projects.

The Main CWO REZ Network Infrastructure Project cannot proceed without the Enabling CWO REZ Network Infrastructure Project and the two projects are expected to improve the affordability, reliability, security and sustainability of electricity supply. The Infrastructure Planner has also implemented measures to achieve the objectives of the EII Act in the interests of customers, including securing local community support, promoting local industry and jobs, and opportunities for First Nations people. Community stakeholders, such as local councils, have been consulted by the Infrastructure Planner in their development of the project recommendation and this has been important in ensuring the recommendation includes consideration of local community impacts.

In summary, based on the Infrastructure Planner's recommendations, the Consumer Trustee has determined that authorising the Enabling CWO RNIP is in the long-term financial interests of NSW electricity customers and is consistent with the objects of the EII Act.

² EnergyCo has published its Central-West Orana Renewable Energy Zone (REZ) Infrastructure Planner Recommendation Public Report. Available at <https://www.energyco.nsw.gov.au/news/central-west-orana-rez-infrastructure-planner-recommendation-public-report>

1. Introduction

After considering the Infrastructure Planner's recommendations, the Consumer Trustee has decided to authorise network operators to carry out two REZ Network Infrastructure Projects for the Central-West Orana REZ under section 31(1)(b) of the EII Act:

- The Main CWO REZ Network Infrastructure Project to be carried out by the ACERREZ Partnership, which in summary involves the construction and operation of new network infrastructure in the CWO REZ to enable the connection of renewable generation projects.
- The Enabling CWO REZ Network Infrastructure Project to be carried out by Transgrid, which in summary involves the construction and operation of new network infrastructure to connect the Main CWO REZ Network Infrastructure Project to the existing NSW transmission network and augment the capacity of the existing transmission network.

This document summarises for public release reasons for the Consumer Trustee's decision relating to the Enabling CWO REZ Network Infrastructure Project to be carried out by Transgrid. The Consumer Trustee has published another document summarising the reasons for the Main CWO REZ Network Infrastructure Project to be carried out by the ACERREZ Partnership.

The Consumer Trustee's authorisation decisions are set out in the Notices of Authorisation published on the AEMO Services website.³ The Notices of Authorisation include full descriptions of the authorised projects, including the scope and the conditions of the authorisations.

The authorisation decisions recorded in the Notices of Authorisation were made by the AEMO Services Board, exercising the authority of the Consumer Trustee. Due to a conflict of interest, the AEMO Services Chairman did not take part in the making of the Consumer Trustee's decision to authorise. The process and approach for making this decision was generally consistent with that outlined in the [Network Authorisation Process and Approach Paper \(NAPAP\)](#).

This document summarises for public release the reasons for the Consumer Trustee's decision to authorise the Enabling CWO REZ Network Infrastructure Project. It is provided to help stakeholders understand the approach taken by the Consumer Trustee in determining to authorise the project. It does not form part of the Authorisation.

³ Available at <https://aemoservices.com.au/products/central-west-orana>

2. The role of the Consumer Trustee

The Consumer Trustee has a function under section 31(1)(b) of the EII Act to decide whether or not to authorise network operators to carry out REZ Network Infrastructure Projects recommended by EnergyCo in its role as Infrastructure Planner under the EII Act.

When exercising this function, the Consumer Trustee is to act independently and in the long-term financial interests of NSW electricity customers.⁴ The Consumer Trustee must also exercise its functions in a way that is consistent with the objects set out in section 3 of the EII Act.⁵

An explanation of the Consumer Trustee's authorisation functions and the processes and approach the Consumer Trustee adopts in performing those functions is set out in the NAPAP, first published by the Consumer Trustee in September 2023 and updated in March 2024.⁶

When deciding whether or not to authorise, the Consumer Trustee is required to consider the Infrastructure Planner's recommendations and decide whether the recommended project should be authorised. In doing so, its approach is to undertake a CBA to determine if the project is in the long-term financial interests of customers against a counterfactual where the recommended project does not proceed and determine whether a decision to authorise is consistent with the objects of the EII Act. Importantly, the Consumer Trustee's authorisation process and subsequent decision does not consider whether or not there may be an alternative option for the recommended RNIP that better delivers in the long-term financial interests of NSW electricity customers. It is the responsibility of EnergyCo, in exercising its statutory function as the Infrastructure Planner, to assess and make recommendations to the Consumer Trustee about REZ network infrastructure projects, under section 30 of the EII Act and regulations made under the EII Act. In doing so, EnergyCo draws on its technical expertise and deep knowledge of local environmental constraints and opportunities as well as the concerns and needs of local communities, including First Nations people.

The Infrastructure Planner is required to consult with relevant stakeholders when developing its recommendations. The Infrastructure Planner's recommendations to the Consumer Trustee set out the consultation that it undertook with AEMO, Transgrid and other relevant network operators, local councils, local communities, First Nations communities, consumers and government, and how it took their feedback into account in developing its recommendations. As explained in the NAPAP, the Consumer Trustee does not undertake its own stakeholder consultation when making an authorisation decision and relies on the consultation undertaken by the Infrastructure Planner.

Further, the Consumer Trustee does not assess the fitness of the network operator to carry out the project. EnergyCo undertakes assessment of the network operator through its competitive tender processes and when recommending a network operator through a non-contestable process. The network operator's role and performance will be governed by contractual arrangements between EnergyCo and the network operator, and relevant regulatory requirements including National Electricity Rules registration requirements and the NSW transmission licencing regime.

The Consumer Trustee's authorisation must require the network operator to enter into contractual arrangements recommended by the Infrastructure Planner in its recommendations.⁷ The Consumer Trustee is not required to review these recommended contractual arrangements and has not done so.⁸ The Consumer Trustee is also not required to consider technical information, other than technical information specified in regulation 44 of the *Electricity Infrastructure Regulation 2021 (EII Regulation)* and information provided to the Consumer Trustee in the Infrastructure Planner's recommendations.⁹

⁴ Section 60(3) EII Act.

⁵ Section 3(3) EII Act.

⁶ Available at <https://aemoservices.com.au/our-role/authorisation-function>

⁷ EII Regulation, regulation 19A(2)

⁸ EII Regulation, regulation 19A(3). The IPRR contained a summary of the recommended contractual arrangements but the Consumer Trustee was not provided with copies of the relevant agreements.

⁹ EII Regulation, regulation 19(2)

Further, the Consumer Trustee's authorisation decision does not consider whether the capital costs of the recommended RNIPs are prudent, reasonable or efficient. Determining the prudent, reasonable and efficient costs that can be recovered by the network operator is the responsibility of the Regulator under section 38 of the EII Act. The AER has been appointed by the Minister as the Regulator for this purpose.

In making this determination the Regulator will consider a maximum capital cost amount provided to it by the Consumer Trustee in accordance with section 31(2) of the EII Act. This maximum capital cost amount sets an upper limit on the development and construction capital costs of the authorised project. Under the EII Act, the maximum capital cost amount must be kept confidential between the Consumer Trustee and the Regulator and they must not disclose the amount to any other person.

3. The Enabling CWO REZ Network Infrastructure Project

3.1 The CWO REZ

The CWO REZ was declared by the Minister on 5 November 2021 under section 19(1) of the EII Act,¹⁰ comprising the specified geographical area identified in Figure 1 below. On 15 December 2023, the Minister amended the CWO REZ Declaration to increase the intended network capacity from 3 GW to 6 GW.¹¹ Further amendments to the CWO REZ Declaration were gazetted on 19 April 2024 to update Schedule 2 to the Declaration.¹²

Figure 1: Geographical area of the CWO REZ



¹⁰ Renewable Energy Zone (Central-West Orana) Order 2021 (CWO REZ Declaration) published in the NSW Government Gazette (NSW Government Gazette No 569 of 5 November 2021)

¹¹ Government Gazette of NSW Number 580 of 15 December 2023

¹² Government Gazette of NSW Number 137 of 19 April 2024

3.2 The Enabling CWO REZ Network Infrastructure Project

The Enabling CWO REZ Network Infrastructure Project enables the connection of the Main CWO REZ Network Infrastructure Project to Transgrid's existing shared transmission network. This alleviates downstream network constraints so that renewable electricity generated in the CWO REZ can be transported to customers throughout NSW.

The Enabling CWO REZ Network Infrastructure Project is described in the Notice of Authorisation and broadly consists of:

- a new 330 kV single circuit transmission line between Bayswater and Liddell substations (marked as A in Figure 2 below);
- a new 330 kV single circuit transmission line between Mt Piper and Wallerawang substations (marked as B in Figure 2);
- Barigan Creek switching station cut in works involving Lines 5A3 and 5A5 and connection to Wollar substation and including remote ends works at Bayswater, Mt. Piper and Wollar substations (marked as C in Figure 2); and
- works to Transgrid's existing 330 kV Line 79 to enable the overcrossing of 500 kV transmission lines to be constructed from Barigan Creek switching station to Merotherie Energy Hub for the CWO REZ.

Figure 2: Enabling CWO REZ Network Infrastructure Project

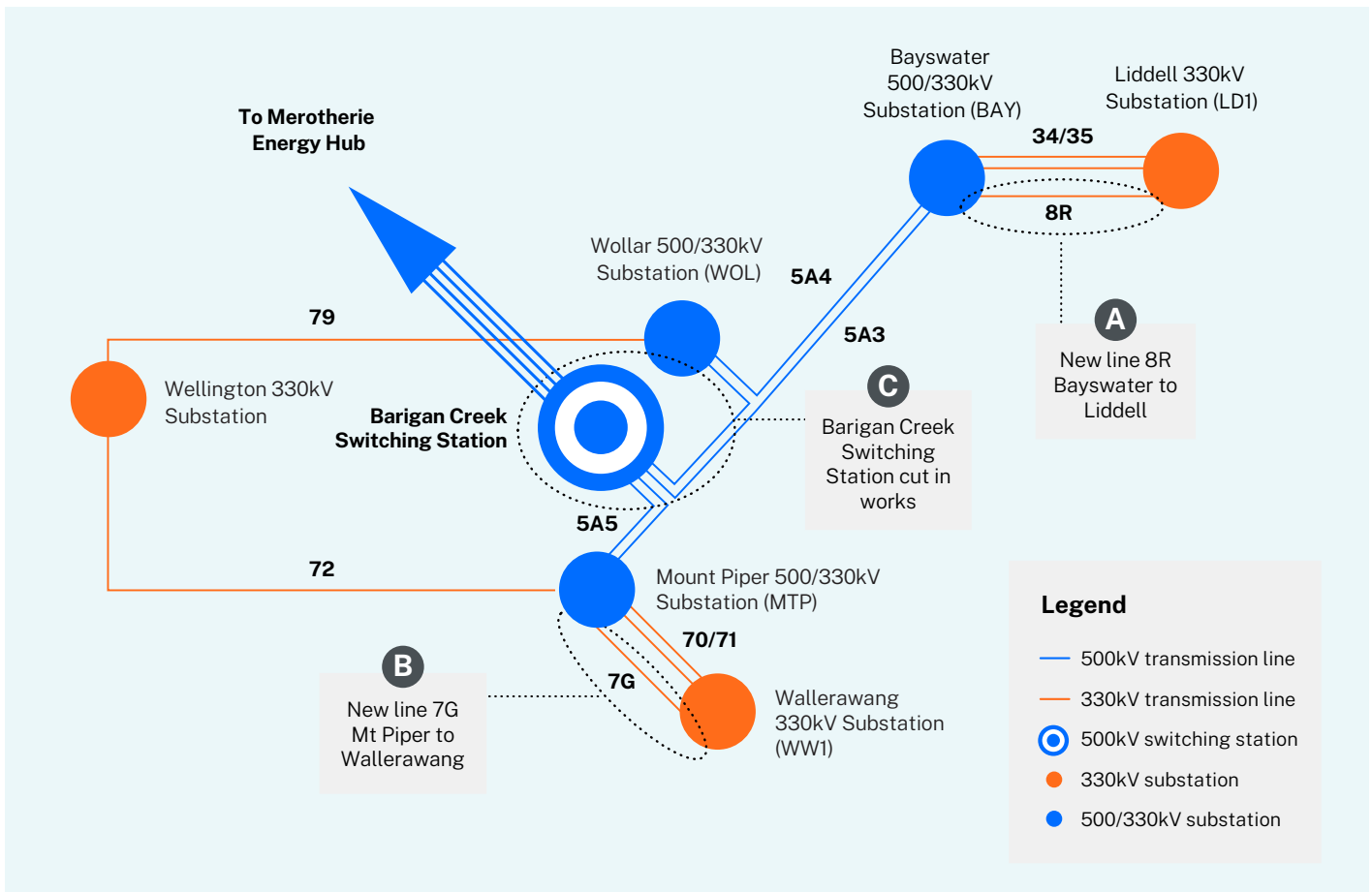
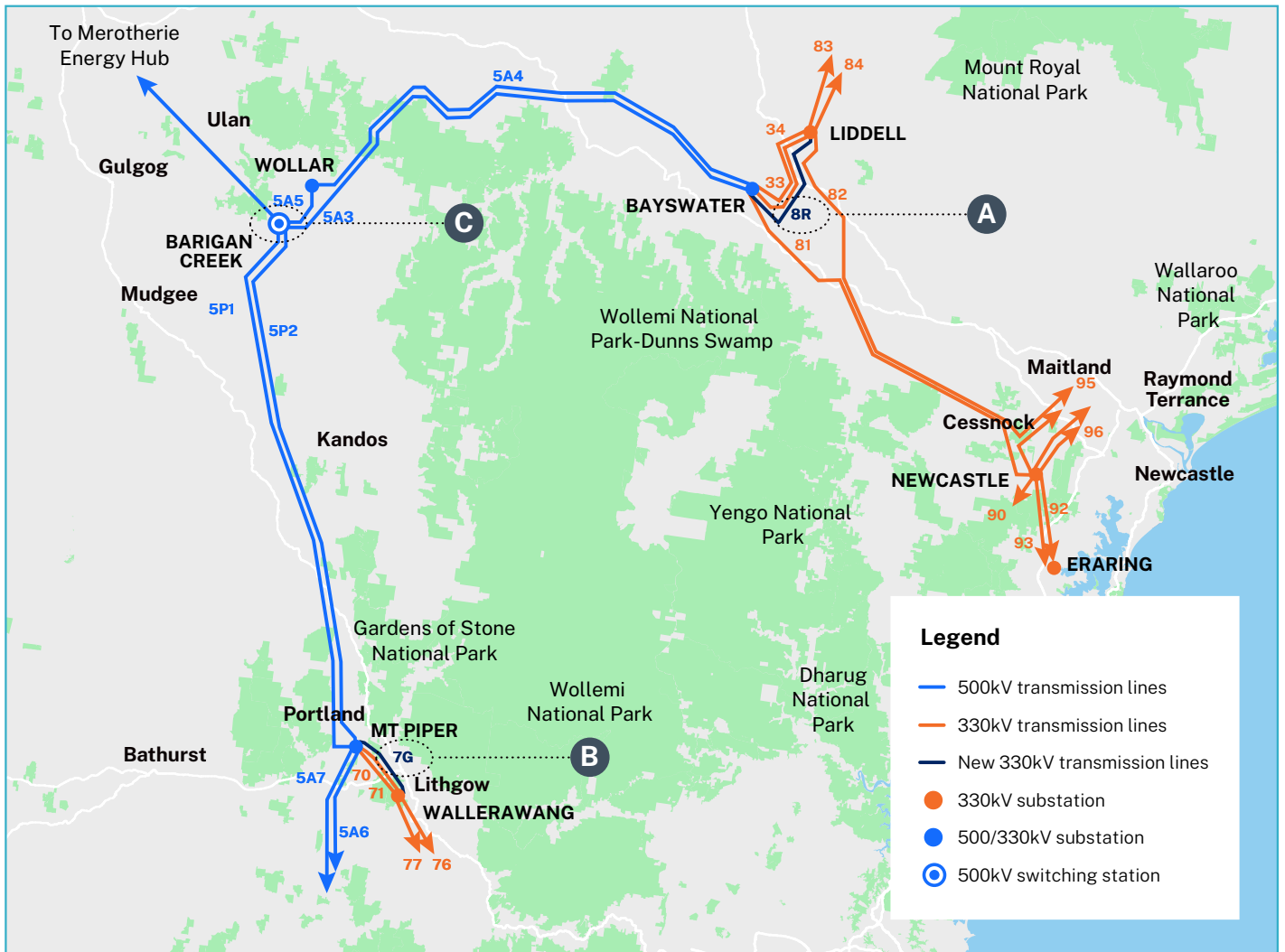


Figure 3: Enabling CWO REZ Network Infrastructure Project map



3.3 Network operator for the Enabling CWO REZ Network Infrastructure Project

The authorised network operator for the Enabling CWO REZ Network Infrastructure Project is NSW Electricity Networks Operations Pty Limited (ACN 609 169 959) as trustee for NSW Electricity Networks Operations Trust (ABN 70 250 995 390), trading as Transgrid.

Transgrid was recommended by the Infrastructure Planner on a non-contestable basis. The Infrastructure Planner’s recommendations stated that because the Enabling CWO REZ Network Infrastructure Project involves work to augment Transgrid’s existing shared network and enable the Main CWO REZ Network Infrastructure Project to connect to the existing shared network, these works are not feasible to procure from a party other than Transgrid as the incumbent transmission network service provider.

4. Reasons for Decision

The following sections summarise the Consumer Trustee's reasons for authorising the network operator to carry out the Enabling CWO REZ Network Infrastructure Project and why the Consumer Trustee is satisfied that doing so meets the relevant requirements under the EII Act and EII Regulation.

The Consumer Trustee's decision is based on its consideration of the Infrastructure Planner's recommendation and the Consumer Trustee's obligations to:

- consider the development pathway;
- act independently and in the long-term financial interests of NSW electricity customers;
- exercise its functions consistent with the objects of the EII Act; and
- take into account the First Nations Guidelines and RES Board Plan when exercising its functions, and its ability to set conditions on an authorisation consistent with the First Nations Guidelines and RES Board Plan.

In making its authorisation decision, the Consumer Trustee considered the Infrastructure Planner Recommendations Report (**IPRR**) provided by the Infrastructure Planner to the Consumer Trustee on 22 December 2023. The IPRR sets out how the Infrastructure Planner considers that it has met the requirements of the EII Act and EII Regulation in relation to the contents of its recommendations. It includes a chapter dedicated to the Enabling CWO REZ Network Infrastructure Project and provides detailed information on a range of matters related to the recommended project.

In many cases, the analysis that follows in these sections against each of the criteria above is the same as for the Main CWO REZ Network Infrastructure Project, with matters specifically relevant to the Enabling CWO REZ Infrastructure Project also included. This is because the Enabling CWO REZ Network Infrastructure Project is required to deliver the outcomes and benefits of the Main Project.

4.1 Development pathway contained in the latest IIO Report

In exercising its functions to authorise a REZ network infrastructure project, the Consumer Trustee is to consider the development pathway contained in the latest Infrastructure Investment Objectives Report (**IIO Report**) prepared by the Consumer Trustee under section 45 of the EII Act.¹³

The IIO Report contains the least-cost 20-year pathway for the optimal development of electricity generation, storage and firming infrastructure to meet NSW's legislated targets for renewable energy infrastructure (**development pathway**).

The latest IIO Report is the final 2023 IIO Report, which was published by the Consumer Trustee on 21 December 2023.¹⁴

The development pathway in the final 2023 IIO Report is underpinned by REZ network infrastructure including three Central-West Orana project options. The final 2023 IIO Report suggested the optimal timing for these options to be 4.5 GW of network transfer capacity in 2027–28, followed by an additional 1.5 GW in 2036–37 and a further 1.63 GW of network capacity in 2040–41. This is consistent with the recommendations in the IPRR, which only recommend that the Consumer Trustee authorise a project with a network capacity of 4.5 GW at this stage.

The Consumer Trustee also adopted the development pathway from the final 2023 IIO Report (with minor updates) as two of the scenarios considered in the Consumer Trustee's CBA modelling discussed in [section 4.2](#). This modelling assessed whether authorising the two CWO REZ Network Infrastructure Projects would provide a net financial benefit to NSW electricity customers compared with a counterfactual where the projects are not carried out, but the development pathway is still met. The minor amendments were required because of differences in assumptions due to the different timing of the market modelling exercises.

¹³ EII Act section 31(5)

¹⁴ Available at <https://aemoservices.com.au/our-role/infrastructure-investment-objectives-report>

During the course of finalising the 2023 IIO Report, the Australian Government announced its expansion of the Capacity Investment Scheme (CIS)¹⁵ to support 32 GW of new capacity nationally to deliver its target of 82% renewable electricity by 2030.¹⁶ While this announcement was not adopted as the basis for planning set out in the final 2023 IIO Report, the authorisation decision has considered the role of the CWO REZ Network Infrastructure Projects in delivering an accelerated development pathway aligned with actions under the National Energy Transformation Partnership or NETP.¹⁷

4.2 Long-term financial interests of NSW electricity customers

The Consumer Trustee must act independently and in the long-term financial interests of NSW electricity customers when exercising its functions.¹⁸

The Consumer Trustee assessed whether authorising the Enabling CWO REZ Network Infrastructure Project is in the long-term financial interests of NSW electricity customers by undertaking a CBA and a qualitative assessment of the risks to customers. The results of these assessments are summarised below.

Based on these assessments, the Consumer Trustee considers that authorising the Enabling CWO REZ Network Infrastructure Project is likely to have a net benefit and be in the long-term financial interests of NSW electricity customers.

This document summarising the reasons for the decision does not set out the results of the Consumer Trustee's CBA or the amount of the net benefit the Consumer Trustee considers the project would deliver to NSW electricity customers. That is because doing so could allow the network operator and potentially other stakeholders to derive a reasonable estimate of the maximum capital cost that the Consumer Trustee must calculate and notify to the Regulator under section 31(2) of the EII Act. The maximum capital cost is calculated based on the net benefit of the project to NSW electricity customers and the payments to the network operator provided by the Infrastructure Planner. The maximum capital cost is confidential to the Consumer Trustee and Regulator and must not be disclosed to any other person.¹⁹

The maximum capital cost is an important protection for customers against the risk that the construction and development capital costs of the project increase compared with the costs set out in the Infrastructure Planner's recommendations and result in the RNIP no longer having a net financial benefit to NSW electricity customers. The requirement for the maximum capital cost to remain confidential to the Consumer Trustee and the Regulator supports the effectiveness of this protection.

4.2.1 Quantitative Risk Assessment

Methodology

The Consumer Trustee's assessment of whether authorising the recommended project is in the long-term financial interests of NSW electricity customers has been informed by cost-benefit analysis. The NAPAP outlines the Consumer Trustee's approach to undertaking cost-benefit analysis to inform its decisions.

The CBA assesses the benefits of authorising the project based on the difference in consumer costs between two cases:

- a **base case**, in which the two recommended CWO REZ Network Infrastructure Projects are built; and
- a **counterfactual case**, in which the two recommended CWO REZ Network Infrastructure Projects are not built.

The base case includes the costs of the CWO projects provided by the Infrastructure Planner, including a contingency for cost increases.

15 Announcement was made by Minister Bowen on 23 November 2023. Available at: minister.dcceew.gov.au/bowen/media-releases/delivering-more-reliable-energy-all-australians

16 The Australian Government's Powering Australia plan is part of Australia's energy strategies and frameworks. More information is available at: dceew.gov.au/energy/strategies-and-frameworks/powering-australia

17 The National Energy Transformation Partnership is a framework for Commonwealth, state and territory governments to work together on reforms to help transform Australia's energy system to achieve net zero by 2050. More information is available at: energy.gov.au/energy-and-climate-change-ministerial-council/national-energy-transformation-partnership

18 EII Act section 60(3)

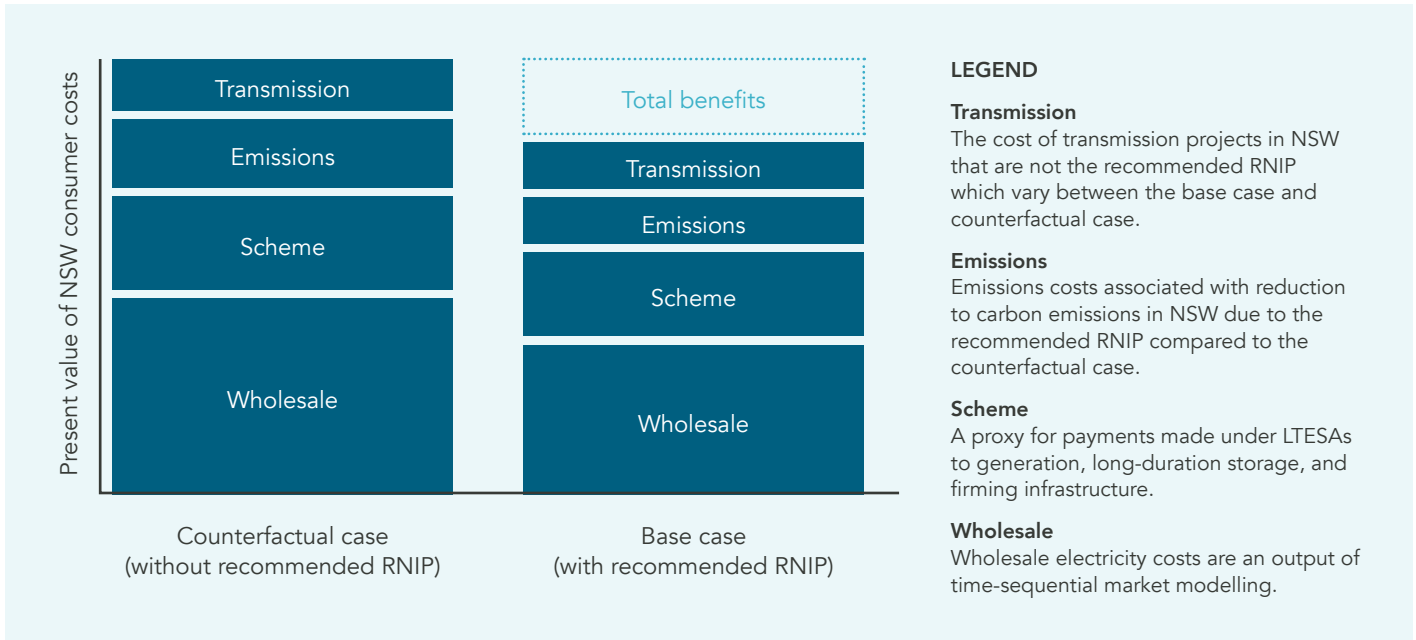
19 EII Act section 31(3)

The same development pathway is met in both the base case and counterfactual case.

The benefits are then compared to the costs of the CWO RNIPs that will be paid by NSW electricity customers over the concession period for the Main CWO REZ Network Infrastructure Project. If the benefits are higher than the costs, the net present value (or NPV) will be positive and the benefit-cost ratio (or BCR) will be greater than 1.

Figure 4 illustrates how total benefits are derived from the difference in costs between the base case and counterfactual case. The costs of the recommended projects are excluded from the base case to allow the total benefits to be compared to the cost of the recommended projects.

Figure 4: Illustration of total benefits



The Consumer Trustee’s CBA was undertaken for three market modelling scenarios and seven post processing sensitivities to test variables that drive electricity market outcomes and ultimately the net benefits to NSW electricity customers, including demand-side and supply-side considerations. The modelling approach utilised a Monte Carlo simulation across multiple permutations of demand, weather and thermal outage patterns for each scenario.

The Consumer Trustee considered the results of all the scenarios and sensitivities in reaching its decision to enable an assessment of the net benefits to customers as well as the likelihood and materiality of the risks and uncertainties to the financial interests of customers.

The Consumer Trustee adopted a ‘least regrets’ approach to assess upside and downside risks to NSW electricity customers. This approach involves considering the potential upside for customers if the project delivers greater net benefits to customers under some scenarios and sensitivities, and the potential downside risks for customers if the project delivers net costs under some scenarios and sensitivities.

The scenarios are summarised in Figure 5.

Figure 5: Modelling scenarios used in the CBA

IIO Baseline	Delayed Transmission	Powering Australia
Conservative downside scenario representing a slower transition.	Risk assessment scenario to test reliance on other network projects in a counterfactual world.	Optimistic upside scenario representing an accelerated transition.
Assumptions broadly in line with 2022 ISP, with lower demand forecasts compared with the draft 2024 ISP.	Assumptions in line with the IIO Baseline scenario, except for delays to key NSW network projects (including Hunter-Central Coast, New England and South West REZs, as well as HumeLink & VNI West projects).	Assumptions more in line with the 2024 ISP, with higher demand values compared to the 2022 ISP and a national target for 82% renewable electricity by 2030.

Conclusions

The CBA results overall indicate that the likely outcome of authorising the Enabling CWO REZ Network Infrastructure Project is beneficial for NSW electricity customers on the balance of optimistic and conservative scenarios.

The CBA results demonstrate that NSW electricity customers are likely to be worse off if the Enabling CWO REZ Network Infrastructure Project does not proceed. This is particularly the case if the future follows an accelerated change trajectory (consistent with the Powering Australia scenario) or the other network projects that the counterfactual relies on are delayed (consistent with the Delayed Transmission scenario).

The post-processing sensitivities showed that the CBA results for each scenario are sensitive to forecasting inputs (for example, assumptions about weather and outages). The sensitivities also demonstrated that the market modelling, like all market modelling, is likely to have underestimated wholesale price volatility and that correcting for this improves the overall CBA. Other sensitivities did not have a material impact on the CBA results.

4.2.2 Qualitative Risk Assessment

The Consumer Trustee undertook a qualitative assessment of the risks to the long-term financial interests of NSW electricity customers. This risk assessment supports the results of the CBA by considering the potential impact of risks that cannot be quantified in the CBA.

The Consumer Trustee identified and documented plausible risks to the long-term financial interests of NSW electricity customers related to:

- risks of the costs to consumers of the project increasing compared with the costs used for the CBA modelling;
- risks of the modelled benefits not being realised or decreasing compared with the CBA results; and
- risks of inconsistency with the objects of the EII Act, which may result in the erosion of customer or community support for the NSW Electricity Infrastructure Roadmap.

For each risk, the Consumer Trustee assessed the likelihood and consequence of the risk compared with the counterfactual, having regard to the measures adopted by the Infrastructure Planner to mitigate the risk. The risk assessment was based on the potential impact of the risk on the expected net benefit of the project to customers under the CBA, informed by sensitivity testing undertaken by the Consumer Trustee as part of the CBA modelling.

All of the identified risks related to the Main CWO REZ Network Infrastructure Project rather than the Enabling CWO REZ Network Infrastructure Project, except for one risk related to cost increases for the Enabling CWO REZ Network Infrastructure Project. The Consumer Trustee's risk assessment identified a small number of risks that were rated as low or medium. No risks were rated as high or critical.

The Consumer Trustee does not consider that the identified risks are sufficient to undermine the outcomes of the CBA and ultimately justify a decision to not authorise the CWO REZ Network Infrastructure Project. Even if the plausible worst-case outcome occurs in relation to multiple risks, the project is still likely to have net benefits for NSW electricity customers.

Any large infrastructure project has a risk of the costs increasing or construction being delayed, but many of the causes of such outcomes are not unique to the CWO RNIPs and would also be likely to affect the other transmission projects in the counterfactual and therefore have a limited impact on the CBA results. The risk assessment therefore focussed on risks that are unique to the recommended CWO projects or are materially greater for those projects than for other projects in the counterfactual.

The risk assessment demonstrates that the mitigation measures are likely to result in an acceptable level of risk. A key mitigation measure for the Enabling CWO REZ Network Infrastructure Project is that the AER will scrutinise Transgrid's proposed costs when making its revenue determination for the project. Under the EII Act, the AER must determine the prudent, efficient and reasonable capital costs for development and construction of the project (called the Transmission Efficiency Test) and determine the amount of revenue the network operator can recover for carrying out the project.²⁰ The AER will determine these matters in accordance with its Transmission Efficiency Test and revenue determination guideline for non-contestable network infrastructure projects.²¹

²⁰ EII Act section 38.

²¹ Available at <https://www.aer.gov.au/industry/registers/resources/guidelines/transmission-efficiency-test-and-revenue-determination-guideline-non-contestable-network-infrastructure-projects/final-decision>

4.3 Objects of the EII Act

The Infrastructure Planner and Consumer Trustee must exercise their functions in a way that is consistent with the objects of the EII Act.²²

Table 1: Objects of EII Act

1 Objects of the EII Act	
a	to improve the affordability, reliability, security and sustainability of electricity supply
b	to co-ordinate investment in new generation, storage, network and related infrastructure
c	to encourage investment in new generation, storage, network and related infrastructure by reducing risk for investors
d	to foster local community support for investment in new generation, storage, network and related infrastructure
e	to support economic development and manufacturing
f	to create employment, including employment for Aboriginal and Torres Strait Islander people
g	to invest in education and training
h	to promote local industry, manufacturing and jobs
i	to promote export opportunities for generation, storage and network technology
2 Additional objects of Parts 4 to 6 of the EII Act	
a	to increase employment and income opportunities for Aboriginal and Torres Strait Islander people in NSW
b	to promote consultation and negotiation with the traditional Aboriginal owners of land on which generation, storage and network infrastructure is proposed to be constructed or operated under the Act

²² EII Act section 3(3)

The Consumer Trustee relies on evidence provided by the Infrastructure Planner to satisfy itself that authorising the project would be consistent with the objects.

In assessing whether authorising the Enabling CWO REZ Network Infrastructure Project is consistent with the objects of the EII Act, the Consumer Trustee considered:

- The IPRR's explanation of the Infrastructure Planner's view on how the recommendations are consistent with each of the objects of the EII Act.
- The IPRR's explanation of the consultation that was undertaken by the Infrastructure Planner with AEMO, which informed the Consumer Trustee's assessment that authorising the project is consistent with the objects related to reliability and security of supply.
- The IPRR's explanation of the consultation that was undertaken by the Infrastructure Planner with local councils, local communities, consumer groups and First Nations people, which is relevant to the local community support and consultation with traditional Aboriginal owners objects.
- The Consumer Trustee's assessment of whether authorising the project is in the long-term financial interests of NSW electricity customers as discussed in [section 4.2](#), which informed the Consumer Trustee's assessment that authorising the project is consistent with the affordability object.
- The Consumer Trustee's assessment of whether the Infrastructure Planner's recommendations are consistent with the RES Board Plan recommendations as discussed in [section 4.4](#), which informed the Consumer Trustee's assessment that authorising the project is consistent with the economic development, employment, education training and local industry objects.
- The Consumer Trustee's assessment of whether the Infrastructure Planner's recommendations are consistent with the First Nations Guidelines as discussed in [section 4.4](#), which informed the Consumer Trustee's assessment that authorising the project is consistent with the additional objects of Parts 4 to 6 of the EII Act.
- The Consumer Trustee's assessment of whether authorising the project would create any material risks to the achievement of the objects or involve any material trade-offs between objects. The Consumer Trustee's assessment is that there are not any material risks to the achievement of the objects that would mean that authorising the project would not be consistent with the objects of the EII Act.

Having considered the Infrastructure Planner's recommendations and the other matters discussed above, the Consumer Trustee is satisfied that authorising the project is consistent with the objects of the EII Act.

4.4 RES Board Plan and First Nations Guidelines

The EII Act requires the Minister to issue guidelines about consultation and negotiation with the local Aboriginal community in relation to relevant REZ network infrastructure projects, for the purpose of increasing employment and income opportunities for the local Aboriginal community (**First Nations Guidelines**).²³ A First Nations Guideline that applies generally across NSW was published by the Minister in August 2022.²⁴ A region-specific First Nations Guideline for Central-West Orana was first published in August 2022 and updated in October 2023.²⁵

The EII Act also requires the Minister to establish the NSW Renewable Energy Sector Board (**RES Board**).²⁶ The RES Board's functions including preparing a plan for the NSW renewable energy sector, including the manufacture and construction of infrastructure in the renewable sector (**RES Board Plan**).²⁷ The RES Board Plan was published in September 2022.²⁸

The Consumer Trustee must take into account the RES Board Plan when exercising its functions to authorise a REZ Network Infrastructure Project.²⁹ The Consumer Trustee may impose a condition on an authorisation to give effect to the First Nations Guidelines or the RES Board Plan.³⁰

The IPRR briefly explains how Transgrid as the network operator of the Enabling CWO REZ Network Infrastructure Project will meet the recommendations of the First Nations Guidelines and RES Board Plan.

The IPRR states that:

- the project deed will include contractual obligations requiring the network operator to develop a First Nations Participation Plan and Australian Industry Participation Plan that meet minimum First Nations Guidelines and RES Board Plan targets;
- the network operator has represented to the Infrastructure Planner its commitment to ensure that the supply chain engaged on the project will represent value for money and provide the opportunity for local small to medium enterprises to participate in the tender process;
- the network operator has affirmed that it will engage a social procurement analyst to develop, track and report on its Australian Industry Participation Plan commitments;
- the network operator has a partnership with Indigenous Defence Infrastructure Consortium which allows it to engage this supplier on the project to source local First Nations businesses; and
- procurement opportunities will be made available on the Supply Nations Membership Opportunity Board, and contractors will be required to lodge a First Nations Plan that outlines their engagement and participation strategies.

The Consumer Trustee has reviewed the information contained in the IPRR against the recommendations in the First Nations Guidelines and RES Board Plan and considers that it demonstrates compliance with some, but not all, of the recommendations in the RES Board Plan and First Nations Guidelines.

The IPRR's statement that the project deed will require the network operator to develop a First Nations Participation Plan and Australian Industry Participation Plan that meets First Nations Guidelines and RES Board Plan minimum targets, provides comfort that the network operator will comply with at least the minimum requirements of the RES Board Plan and First Nations Guidelines recommendations even though the IPRR does not provide details on the proposed contents of those plans.

²³ EII Act section 4(1)

²⁴ Available at <https://www.energy.nsw.gov.au/sites/default/files/2022-08/first-nations-guidelines-increasing-income-and-employment-opportunities-from-electricity-infrastructure-projects.pdf>

²⁵ Available at https://www.energy.nsw.gov.au/sites/default/files/2023-10/NSW_Central-West_Orana_First_Nations_Guidelines_Oct_2023.pdf

²⁶ EII Act section 7(1)

²⁷ EII Act section 7(4)

²⁸ Available at <https://www.energy.nsw.gov.au/sites/default/files/2022-09/nsw-renewable-energy-sector-board-plan.pdf>

²⁹ EII Act sections 4(4) and 9(1)

³⁰ EII Act sections 4(5)(b) and 9(4)

The IPRR states that due to the comparatively smaller size of the Enabling CWO REZ Network Infrastructure Project compared to the Main CWO REZ Network Infrastructure Project, the Infrastructure Planner is of the view that it is not necessary for the recommended network operator for the Enabling CWO REZ Network Infrastructure Project to have completed participation plans before an authorisation decision. The IPRR also states that the Infrastructure Planner considers that it may be more appropriate for the network operator to meet the First Nations Guidelines and RES Board Plan minimum targets rather than the stretch targets, as the relative cost difference may be higher for the Enabling CWO REZ Network Infrastructure Project and the network operator will likely seek to recover any additional costs from the Infrastructure Planner or customers.

The Consumer Trustee considered whether to impose conditions to give effect to the RES Board Plan and First Nations Guidelines as part of the authorisation of the Enabling CWO REZ Network Infrastructure Project, in light of the relatively limited information contained in the IPRR on these issues.

The Consumer Trustee does not consider that it is necessary or appropriate to impose any authorisation conditions in relation to RES Board Plan and First Nations Guidelines issues. Given the nature of the Enabling CWO REZ Network Infrastructure Project and its relatively small size and cost, the Consumer Trustee considers that the project deed contractual obligations on the network operator are sufficient to mitigate the risks created by the limited information in the IPRR on these issues.

The Consumer Trustee considers that it is preferable for these matters to be addressed in the project deed rather than authorisation conditions as this will enhance the Infrastructure Planner's ability to gather relevant information and ensures that there is a practical mechanism to monitor and enforce the network operator's commitments. The Notice of Authorisation requires the network operator to enter into the project deed by 30 June 2025.

The Consumer Trustee encourages the Infrastructure Planner and Transgrid to consult with stakeholders on the development of the network operator's First Nations Participation Plan and Australian Industry Participation Plan and encourages stakeholders with an interest in these issues to participate in that consultation.

5. Maximum capital cost

As required by the EII Act, the Consumer Trustee has, by written notice to the Regulator, set a maximum amount for the capital costs for development and construction of the Enabling CWO REZ Network Infrastructure Project that may be determined by the Regulator under section 38(4).³¹

In accordance with section 31(3) of the EII Act, the Consumer Trustee or the Regulator must not disclose this maximum amount to any person.

AEMO Services sets the maximum capital cost amount by reference to the net benefit to customers from its CBA. It is important to note that this CBA is conducted across a range of conservative and optimistic scenarios, which results in a range of net benefit outcomes considered by AEMO Services in setting the maximum amount.

³¹ EII Act section 31(2)

6. Appendix – Legal requirements for the decision

#	Requirement	Reference in this Statement of Reasons
1.	<p>After considering the Infrastructure Planner’s recommendations in relation to REZ Network Infrastructure Projects, the Consumer Trustee may (a) recommend the Minister give a direction under section 32 to a network operator for a REZ Network Infrastructure Project, or (b) authorise a network operator to carry out a REZ Network Infrastructure Project (EII Act, s31(1)).</p> <p>The Consumer Trustee is not required to consider technical information other than technical information specified in EII Regulation, clause 44,³² and provided to the Consumer Trustee in the Infrastructure Planner’s recommendation (EII Regulation, clause 19(2)).</p>	Section 4
2.	<p>If the Consumer Trustee authorises a network operator under subsection (1)(b), the Consumer Trustee must, by written notice to the Regulator, set a maximum amount for the prudent, efficient and reasonable capital costs for development and construction of the REZ Network Infrastructure Project that may be determined by the regulator under section 38(4) (EII Act, s31(3)).</p> <p>The Consumer Trustee or the Regulator must not disclose the maximum amount to any person (EII Act s31(3)).</p>	Section 5
3.	<p>The Consumer Trustee is to consider the development pathway contained in the latest report by the Consumer Trustee under section 45 (EII Act, s31(5)).</p>	Section 4.1
4.	<p>The Consumer Trustee will consider whether to, with respect to the First Nations Guidelines:</p> <ul style="list-style-type: none"> include, in a recommendation to the Minister under section 31(1)(a), a recommendation that a condition be imposed on the Minister’s direction; or impose a condition on an authorisation under section 31(1)(b) (EII Act, s4(5)). 	Section 4.4
5.	<p>The Consumer Trustee will take into account the plan for NSW renewable energy sector (EII Act, s9(1)) and consider whether to:</p> <ul style="list-style-type: none"> in a recommendation to the Minister under section 31(1)(a), include a recommendation that a condition that is consistent with the plan be imposed on the Minister’s direction; or impose a condition that is consistent with the plan on an authorisation under section 31(1)(b) (EII Act, s9(3)-(4)). 	Section 4.4
6.	<p>The Consumer Trustee is to act independently and in the long-term financial interests of NSW electricity customers (EII Act, s60(3)).</p>	Sections 2 and 4.2
7.	<p>The Consumer Trustee must exercise its function in a way that is consistent with the objects of the EII Act (EII Act, s3(3)).</p>	Section 4.3
8.	<p>An authorisation by the Consumer Trustee must require the network operator to enter into the recommended contractual arrangements (EII Regulation, cl 19A(2)).</p>	See Notice of Authorisation

³² EII Regulation, clause 44 specifies the following: (a) technical specifications about the following—(i) proposed routes of the network infrastructure, including substation locations, (ii) connections between proposed and existing network infrastructure, (iii) the operating voltages and network capacity of the network infrastructure, (b) how the project will ensure the safe operation of the network infrastructure and the reliability and security of electricity supply, (c) how the project will meet the system strength requirements under the National Electricity Rules for the NSW region, (d) if the project includes class 3 network infrastructure—details of the person who is proposed to own or control the network infrastructure.