



Consumer
Trustee

Statement of Reasons

Authorisation of Main 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 Main 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 (**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 Main CWO REZ Network Infrastructure Project to be carried out by the ACERREZ Partnership. The Consumer Trustee has published another document summarising the reasons for the decision relating to the Enabling CWO REZ Network Infrastructure Project to be carried out by Transgrid.

After considering the Infrastructure Planner’s recommendations, the Consumer Trustee has decided to authorise ACERREZ Partnership to develop, construct, own, control and operate the Main 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 CBA. The CBA shows that, on the balance of optimistic and conservative scenarios, the project is likely to be beneficial for NSW electricity customers over the 35-year concession period for which the ACERER Partnership will be contracted, as well as over the lifetime of the assets. 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

In conducting its assessment, the Consumer Trustee has identified a number of risks to the full realisation of these benefits. These risks could arise if:

- the costs to customers increase when the network operator is permitted to pass on costs to customers; or
- access fees recovered from generators do not offset the full costs of the "hub to project" assets or system strength assets; or
- the benefits of the project to customers decrease due to delays to delivery of the project or delays to forecast generator connections.

However, in the view of the Consumer Trustee, the mitigants identified by the Infrastructure Planner are sufficient so that these risks are not material enough to undermine the overall net benefit of the project or justify a decision to not authorise.

The Main CWO REZ Network Infrastructure Project is expected to improve the affordability, reliability, security and sustainability of electricity supply. The Infrastructure Planner has also implemented measures to achieve the objects 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 Main CWO REZ Network Infrastructure Project is in the long-term financial interests of NSW electricity customers and is consistent with the objects of the EII Act.

² 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.³
- 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.

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

The Consumer Trustee's authorisation decisions are set out in the Notices of Authorisation published on the AEMO Services website.⁴ 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 Main 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 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.

⁴ 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.⁵ 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.⁶

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 2024.⁷

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 to 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.⁸ The Consumer Trustee is not required to review these recommended contractual arrangements and has not done so.⁹ 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.¹⁰

⁵ Section 60(3) EII Act

⁶ Section 3(3) EII Act

⁷ Available at <https://aemoservices.com.au/our-role/authorisation-function>

⁸ EII Regulation, regulation 19A(2)

⁹ EII Regulation, regulation 19A(3). The Infrastructure Planner Recommendations Report contained a summary of the recommended contractual arrangements but the Consumer Trustee was not provided with copies of the relevant agreements.

¹⁰ 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 Main 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,¹¹ 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.¹² Further amendments to the CWO REZ Declaration were gazetted on 19 April 2024, to update Schedule 2 to the Declaration.¹³

Figure 1: Geographical area of the CWO REZ



11 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)

12 Government Gazette of NSW Number 580 of 15 December 2023

13 Government Gazette of NSW Number 137 of 19 April 2024

3.2 The Main CWO REZ Network Infrastructure Project

The Main CWO REZ Network Infrastructure Project is one of two projects required 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.

The project involves the coordinated investment in new transmission network capacity, connection infrastructure and system strength services to enable generation and storage projects to connect to the CWO REZ and provide benefits to NSW electricity customers. The Infrastructure Planner’s forecast benefits to customers from the project include reduced wholesale electricity prices, improved reliability and security of electricity supply, and reduced emissions.

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

- (a) a 500 kV transmission network from Wollar to Elong Elong via Merotherie with an initial transfer capacity at the Barigan Creek switching station of 4.5 GW and comprising:
 - (1) a 500 kV switching station at Barigan Creek;
 - (2) a 500/330 kV substation at Merotherie (known as an Energy Hub);
 - (3) a 330kV substation at Elong Elong (known as an Energy Hub);
 - (4) an approximately 60 kilometre transmission line from Barigan Creek to Merotherie comprising two 500 kV double circuit lines at an operating voltage of 500kV;
 - (5) an approximately 30 kilometre transmission line from Merotherie to Elong Elong comprising two 500 kV double circuit lines at an operating voltage of 330 kV;
- (b) a 330 kV transmission network from the Energy Hubs to 13 330 kV switching stations that will connect potential generation projects, with an operating voltage of 330 kV and comprising a total of approximately 166 kilometres of transmission lines (**H2P Assets**);
- (c) system strength infrastructure at the Energy Hubs, comprising synchronous condensers with a nominal nameplate rating of up to 1,750 MVA.

The scope and location of the Main CWO REZ Network Infrastructure Project are shown in the diagram in Figure 2 and map in Figure 3.

Figure 2: Main CWO REZ Network Infrastructure Project transmission lines and switching stations

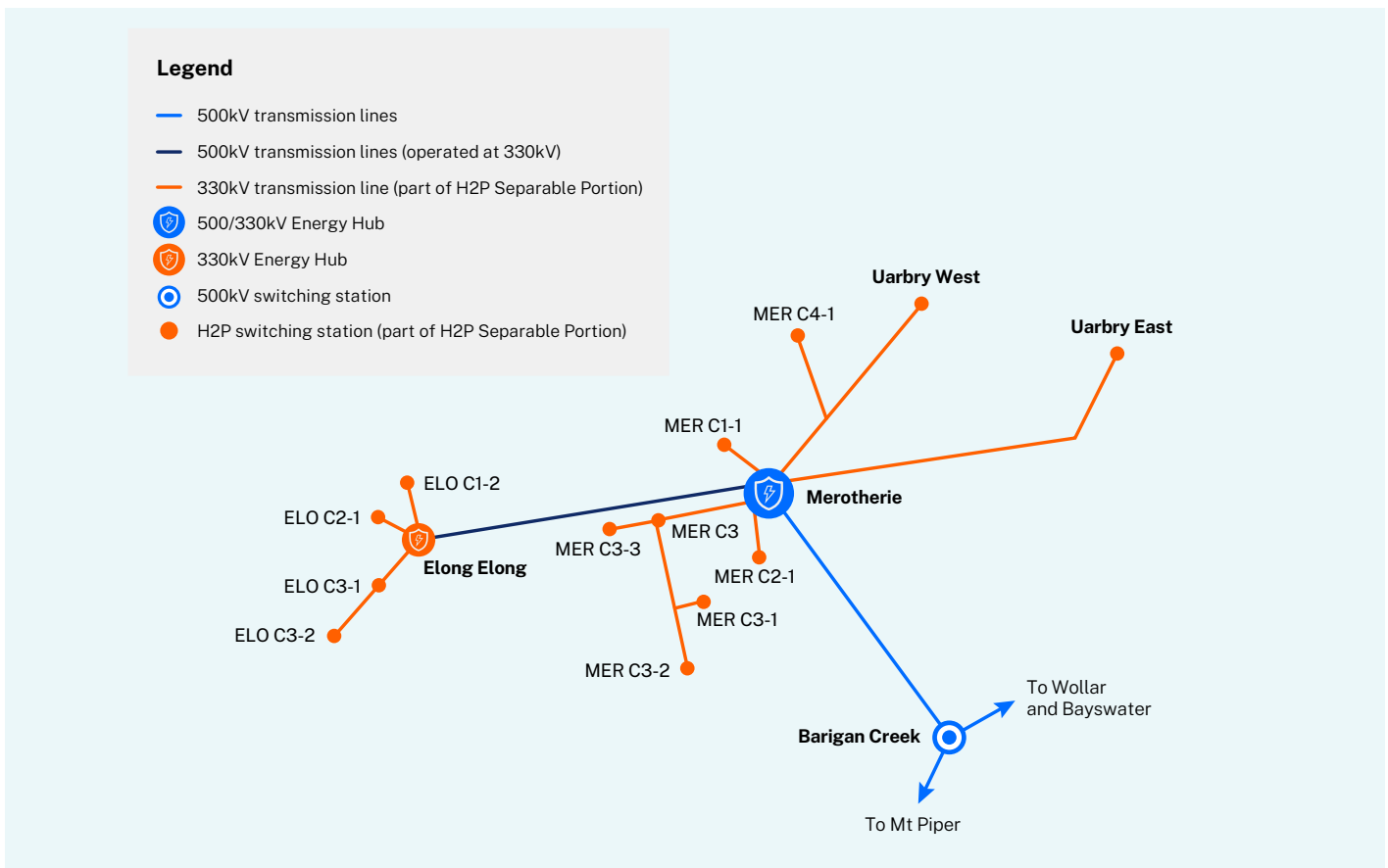
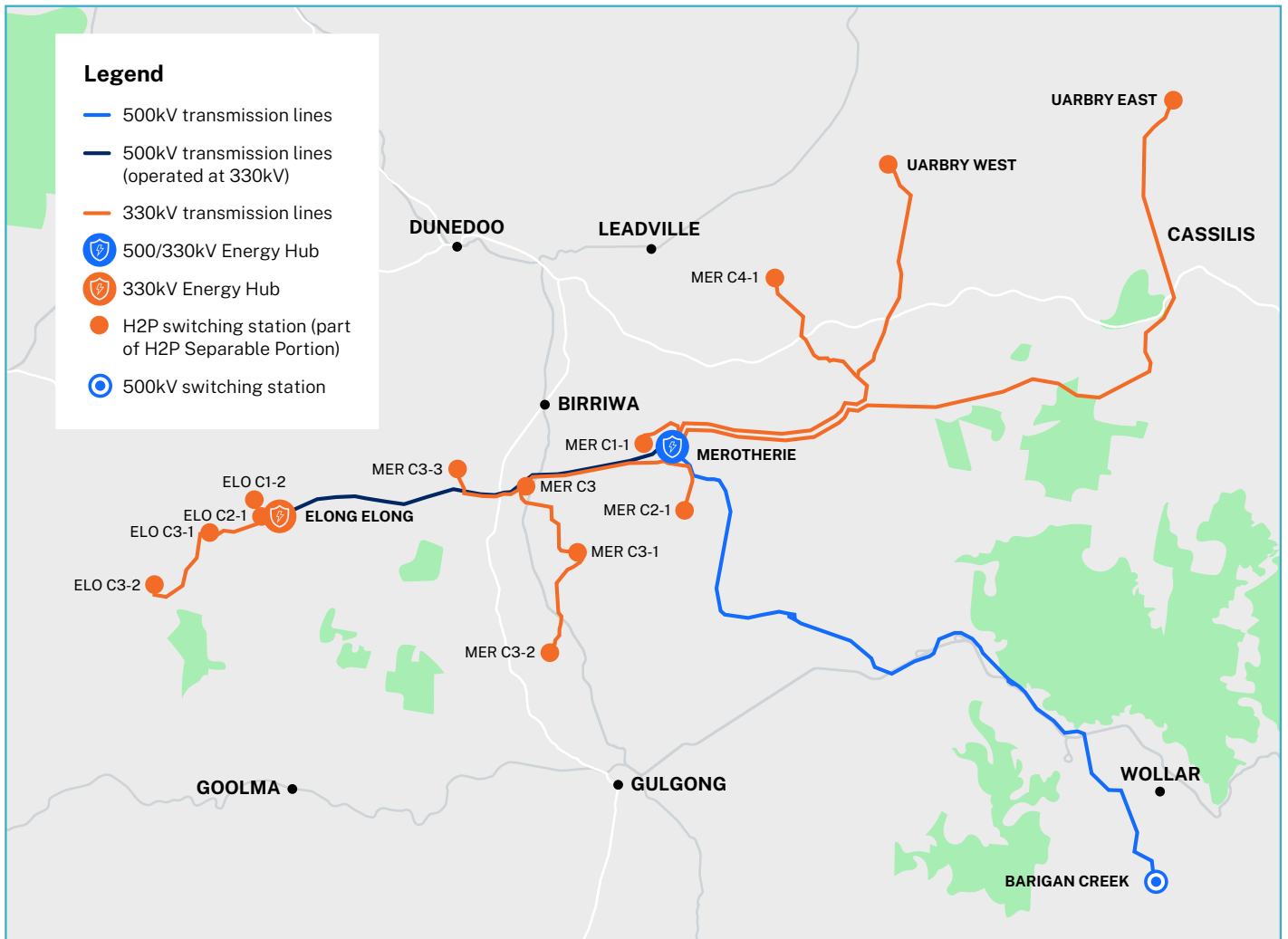


Figure 3: Main CWO REZ Network Infrastructure Project map



The Main CWO REZ Network Infrastructure Project is split into 11 separable portions. This enables parts of the project that relate to H2P Assets to be removed from the scope and the costs of the project to be reduced if some of the H2P Assets do not proceed because specified conditions are not met by 30 June 2025 in accordance with clause 6 of the Notice of Authorisation. This protects customers from being required to fund the costs of these assets.

3.3 Network operator for the Main CWO REZ Network Infrastructure Project

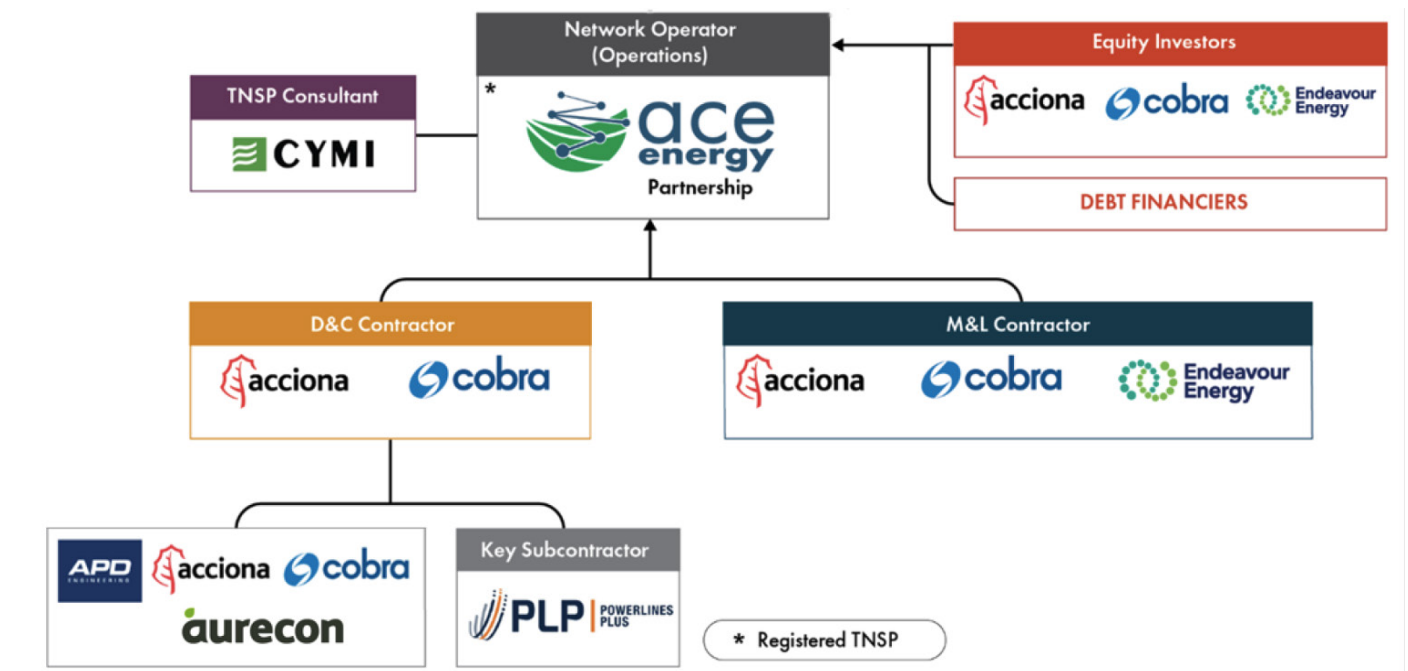
The authorised network operator for the Main CWO REZ Network Infrastructure Project is:

- Cobra CWO NO Pty Limited (ACN 670 780 631) as trustee of the Cobra CWO NO Trust;
- Concesiones CWO REZ NO Pty Limited (ACN 670 755 521) as trustee of the Concesiones CWO REZ NO Trust; and
- Edwards REZ NO Pty Limited (ACN 670 791 321) as trustee of the Edwards REZ NO Trust, ERIC Epsilon REZ NO 1 Pty Ltd (ACN 669 396 801) as trustee of the ERIC Epsilon REZ NO Trust 1, ERIC Epsilon REZ NO 2 Pty Ltd (ACN 669 396 909) as trustee of the ERIC Epsilon REZ NO Trust 2, ERIC Epsilon REZ NO 3 Pty Ltd (ACN 669 397 040) as trustee of the ERIC Epsilon REZ NO Trust 3 and ERIC Epsilon REZ NO 4 Pty Ltd (ACN 669 397 237) as trustee of the ERIC Epsilon REZ NO Trust 4, being a partnership carried on under the name of Endeavour REZ NO Partnership, operating as a partnership carried on under the name of ACEREZ Partnership.

The network operator was recommended by the Infrastructure Planner following a contestable procurement process and is authorised to develop, construct, own, control and operate the project in accordance with the Notice of Authorisation.

The structure of the network operator and its key contractors is summarised in Figure 4.

Figure 4: Network operator roles and responsibilities



4. Reasons for Decision

The following sections summarise the Consumer Trustee's reasons for authorising the network operator to carry out the Main 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 detailed information on a range of matters related to the recommended project, including the Infrastructure Planner's identification and assessment of options, its assessment of the recommended network operator, its consultation with stakeholders and its justifications for how the recommended project will promote the objects of the EII Act.

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.¹⁴

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 2023.¹⁵

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 4.2.1](#). 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 project is 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.

¹⁴ EII Act section 31(5)

¹⁵ 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)¹⁶ to support 32 GW of new capacity nationally to deliver its target of 82% renewable electricity by 2030.¹⁷ 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.¹⁸

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.¹⁹

The Consumer Trustee assessed whether authorising the Main 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 Main 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 information on 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.²⁰

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.

16 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

17 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

18 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

19 EII Act section 60(3)

20 EII Act section 31(3)

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.

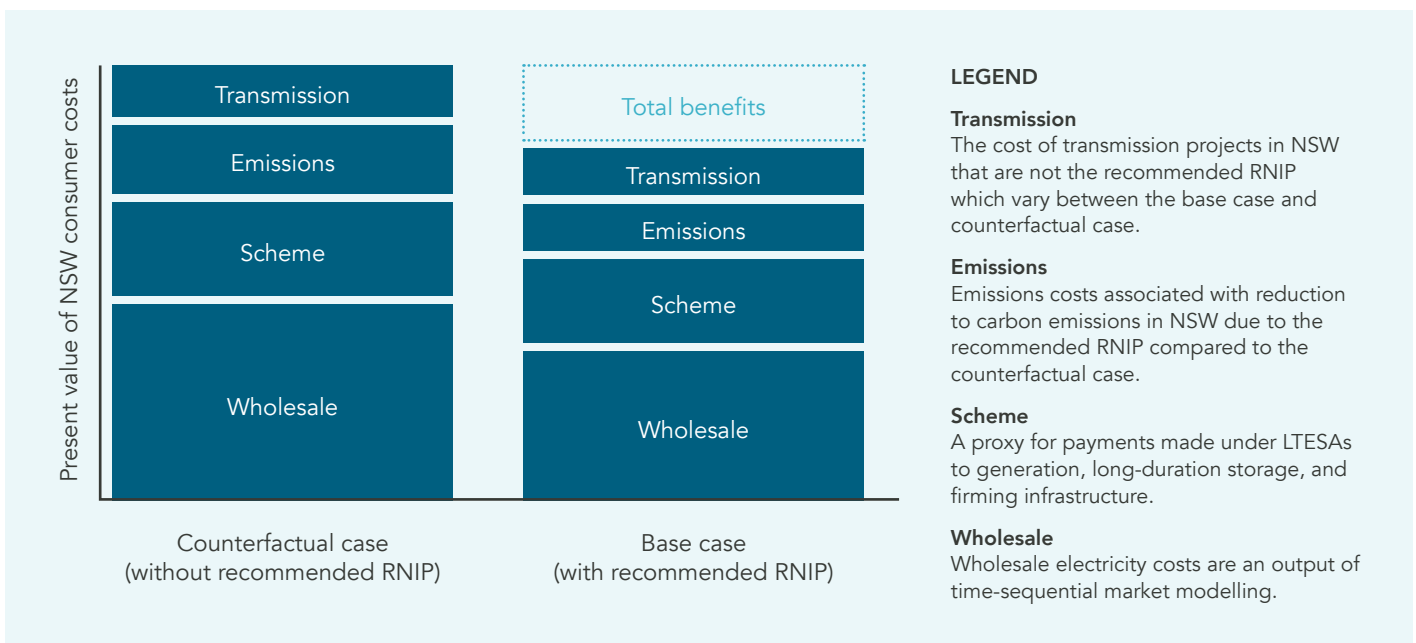
The base case includes the costs of the CWO projects provided by the Infrastructure Planner, including a contingency for cost increases.

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 5 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 5 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 method with simulations 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 also 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 6.

Figure 6: 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 Main 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 Main 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 customers of the project increasing compared with the costs used for the CBA modelling. This included risks that the project costs may increase compared with the costs contained in the IPRR, that the access fees recovered from generators may not recover the full H2P or centralised system strength (**CSS**) costs and that customers may be required to fund some of those costs, or that the costs of the expected future upgrade of the project's network capacity to 6 GW may exceed the Infrastructure Planner's estimates.
- Risks of the modelled benefits not being realised or decreasing compared with the CBA results. This included risks that completion of the project may be delayed or that generation and storage connections to the project may be lower than forecast or occur later than forecast. The occurrence of any of these risks would reduce the modelled benefits of reduced wholesale prices.
- A risk relating to the timing or quantum of investment, being a risk 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. This assessment focussed on risks to the affordability objective of the EII Act.

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.

The Consumer Trustee's risk assessment identified several risks that were rated as low and a small number of risks that were rated as medium. No risks were rated as high or critical. The reasons for these risks being rated as only low or medium include:

- the inclusion of a contingency for expected cost increases in the CBA;
- the relatively large net benefits identified in the CBA, which means that even a reasonably large increase in the project's costs is not expected to have a material impact on whether the project will deliver net benefits for customers;
- the applicable mitigation measures, which are discussed below; and
- many of the identified risks would also apply in the counterfactual so do not materially affect the net benefits of the project.

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 adopted for the Main CWO REZ Network Infrastructure Project are likely to result in an acceptable level of risk. These mitigation measures include:

- limiting the circumstances in which payments to the network operator can increase under the Project Deed so that payment amounts are largely fixed except for certain specified retained risks or permitted variations, with approval from the AER required for any variations;
- including a contingency for cost increases when setting the H2P and CSS cost component of access fees;
- requiring access rights holders to provide bonding to cover the H2P and CSS component of access fees, which reduces the risk of customers being required to cover those costs if an access rights holder does not proceed with its connection or defaults on payments;
- including a mechanism in the Project Deed and Notice of Authorisation to reduce the risks that NSW electricity customers may be required to fund some of the H2P Assets if some of the relevant generation and storage projects do not obtain access rights and pay access fees. The notice of authorisation sets out conditions that must be met for each H2P Asset separable portion by 30 June 2025 and provides that the relevant separable portion will be automatically excluded from the scope of the authorisation if those conditions are not met by that date;
- the stakeholder consultation that has been undertaken by EnergyCo as set out in the IPRR; and
- the relatively advanced stage of the Infrastructure Planner's project planning, consent applications and other preliminary activities compared with other projects in the counterfactual.

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.

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.²¹

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

²¹ 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 Main CWO REZ Network Infrastructure Project is consistent with the objects of the EII Act, the Consumer Trustee considered:

- The IPRR's explanation of how the recommendations are consistent with each of the objects of the EII Act.
- The IPRR's explanation of the options assessment framework that was applied by the Infrastructure Planner in recommending the network infrastructure project and how the relevant objects have been addressed as part of that framework, including any trade-offs between objects. The Infrastructure Planner's assessment framework includes consideration of the objects related to improving the affordability, reliability, security and sustainability of electricity supply; coordinating investment in new generation, storage, network and related infrastructure; and fostering local community support for investment in new generation, storage, network and related infrastructure. The IPRR sets out why the Infrastructure Planner assessed that the recommended option best promotes each of these objectives. This assessment was informed by the Infrastructure Planner's CBA of the options and their impact on affordability, and by its consultation with stakeholders to understand and mitigate local community impacts.
- The IPRR's explanation of the consultation that was undertaken by the Infrastructure Planner with AEMO and Transgrid, 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 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**).²² A First Nations Guideline that applies generally across NSW was published by the Minister in August 2022.²³ A region-specific First Nations Guideline for Central-West Orana was first published in August 2022 and updated in October 2023.²⁴

The EII Act also requires the Minister to establish the NSW Renewable Energy Sector Board (**RES Board**).²⁵ 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**).²⁶ The RES Board Plan was published in September 2022.²⁷

The Consumer Trustee must take into account the RES Board Plan when exercising its functions to authorise a REZ Network Infrastructure Project.²⁸ The Consumer Trustee may impose a condition on an authorisation to give effect to the First Nations Guidelines or the RES Board Plan.²⁹

The IPRR contains a detailed explanation of the commitments that have been made by the network operator for the Main CWO REZ Network Infrastructure Project and the Infrastructure Planner's views on how these commitments meet each of the recommendations of the RES Board Plan and First Nations Guidelines.

The information in the IPRR in relation to the RES Board Plan demonstrates that the network operator will meet the RES Board Plan recommendations in relation to eligibility criteria, industry participation plans, local content targets, evidence requirements, national security requirements, Australian Standards and monitoring, reporting and compliance. It also demonstrates that the network operator will meet the First Nations Guidelines recommendations in relation to preparing and implementing an Aboriginal participation plan, best practice engagement and monitoring and reporting.

The Consumer Trustee considers that the information in the IPRR demonstrates that the network operator will meet:

- each of the eligibility criteria and minimum local content targets set out in the RES Board Plan;
- some of the stretch goals for local content set out in the RES Board Plan;
- each of the recommendations set out in the RES Board Plan; and
- each of the recommendations in the First Nations Guidelines.

The IPRR states that:

- the network operator has developed a draft Industry and Aboriginal Participation Plan (**IAPP**) to give effect to these commitments;
- the network operator will be contractually required to meet the targets contained in its commitments under the commitment deed and project deed that will be entered into by the network operator and the Infrastructure Planner;
- the network operator will commence consultation on the draft IAPP with relevant stakeholders including government departments, First Nations peoples and local communities after entry into the commitment deed; and
- the network operator is required to submit the final IAPP to the Infrastructure Planner within 20 business days of financial close under the Project Deed, and to review and update the IAPP every six months.

²² EII Act section 4(1)

²³ 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>

²⁴ https://www.energy.nsw.gov.au/sites/default/files/2023-10/NSW_Central-West_Orana_First_Nations_Guidelines_Oct_2023.pdf

²⁵ EII Act section 7(1)

²⁶ EII Act section 7(4)

²⁷ Available at <https://www.energy.nsw.gov.au/sites/default/files/2022-09/nsw-renewable-energy-sector-board-plan.pdf>

²⁸ EII Act sections 4(4) and 9(1)

²⁹ EII Act sections 4(5)(b) and 9(4)

The Consumer Trustee notes that this recommended approach means that the IAPP had not been finalised at the time of the authorisation decision and could change from the draft IAPP and the commitments set out in the IPRR. However, the Consumer Trustee considers that this approach to finalisation of the IAPP is appropriate due to the benefits of consultation and the protections provided by including the agreed targets in the commitment deed that was signed by the network operator and Infrastructure Planner in December 2023.

The Consumer Trustee considers that the commitments set out in the IPRR do not create risks for the achievement of the objects of the EII Act or the long-term financial interests of NSW electricity customers. In particular, the IPRR explains why the Infrastructure Planner considers that these commitments have not materially increased the cost of the project.

The Infrastructure Planner does not recommend that the authorisation contain any conditions related to RES Board Plan and First Nations Guidelines matters. The Consumer Trustee does not consider that any such conditions are required.

The Consumer Trustee encourages stakeholders who have an interest in these issues to participate in the consultation on the network operator's Industry and Aboriginal Participation Plan.

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 Main CWO REZ Network Infrastructure Project that may be determined by the Regulator under section 38(4).³⁰

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.

³⁰ 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 44,³¹ 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.	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)).	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.	The Consumer Trustee is to act independently and in the long-term financial interests of NSW electricity customers (EII Act, s60(3)).	Sections 2 and 4.2
7.	The Consumer Trustee must exercise its function in a way that is consistent with the objects of the EII Act (EII Act, s3(3)).	Section 4.3
8.	An authorisation by the Consumer Trustee must require the network operator to enter into the recommended contractual arrangements (EII Regulation, cl 19A(2)).	See Notice of Authorisation

³¹ 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.