

11 July 2017

Mr Sebastian Roberts
General Manager
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Dear Mr Roberts,

RE: ElectraNet revenue proposal, 2018-2023

The South Australian Chamber of Mines and Energy has advocated for the upgrading of transmission line infrastructure in the State's Western and Northern regions to support mineral and energy developments.

Since 2008 SACOME in collaboration with the State Government have produced a series of infrastructure studies which culminated in the development of the Regional Mining and Infrastructure Plan (RMIP) in 2014¹.

The RMIP noted that mining projects in the feasibility stage are not in a position to make firm commitments on connections and load guarantees. In addition, the development timeframe and decision gateways for upgrading transmission assets are not coincident with mining projects.

The impasse is one where mining developments in the feasibility stage require the transmission capacity, but the transmission operator needs the firm commitment of projects. The resultant uncertainties have meant that mining companies have sought out alternative arrangements to meet their electricity requirements to progress projects, even if the solutions are not the most efficient.

Consequently, incorporating a contingency project component in a transmission provider's revenue proposal that can react promptly to certain development triggers is needed.

The following are SACOME's responses to the questions posed by the AER on contingency projects on page 19 of the issues paper.

Do you consider that the trigger event proposed by ElectraNet for each proposed contingent project is probable during the 2018-23 regulatory period?

The issues paper outlines five contingent projects for the AERs consideration. This submission will address three key transmission line reinforcement projects that are essential to mineral and energy developments in the Eyre Peninsula, Upper North-East and Upper North-West regions of South Australia. SACOME has maintained a consistent policy of the need for a reinforcement of the Eyre Peninsula transmission line from 132kV to 275kV to support mining and other developments in the region.

¹ http://www.infrastructure.sa.gov.au/major_projects/regional_mining_and_infrastructure_planning_project



There are several mineral projects currently active on the Eyre Peninsula and three projects are at a mature stage of development. The most mature, Central Eyre Iron Project (CEIP), will likely be developed in the 2018-2023 regulatory period. Iron Road, the project proponent, is targeting a 2018-2019 date for construction and first ore by 2021-2022.

The project has mining lease approval and key partnerships with international iron ore businesses. The projects load requirement of 500MW is sufficient to justify an upgrade of the Cultana to Yadnarie and Yadnarie to Wudinna lines. A further two projects in the region are in feasibility and approvals stages and could potentially receive final investment decision in the 2018-2023 regulatory period.

The North-West and North-East line reinforcement projects are essential infrastructure for the Gawler Craton mineral province and Flinders Ranges coal fields. The Eastern flank of the Gawler Craton that the Davenport to Mt Gunson and Pimba lines service (North-West) is highly prospective for Iron Ore-Copper-Gold (IOCG) deposits (refer to the South Australia Copper Strategy, 2017²).

The Leigh Creek coal fields are undergoing exploration and eventual trials for the potential to gasify the existing coal deposits for energy generation. The prospectivity of the Gawler Craton and utilisation of the existing coal fields at Leigh Creek for energy production will necessitate the need for additional transmission capacity.

With respect to the Upper North-East and Upper North-West Line reinforcement load driven contingent projects, can you provide any evidence of investments which may increase demand for electricity such that ElectraNet's current load limits for these two regions are likely to be exceeded during the 2018-2023 regulatory control period?

North-East

The Davenport to Leigh Creek line has been identified in the ElectraNet proposal to be inadequate for summer periods. A connection of 35MW or greater would require an upgrade of the line, and 10MVA would necessitate further work. The Leigh Creek coal gasification project is proposed to include a 150MW gas power plant which would trigger the requirement for a line reinforcement.

The proponents, Leigh Creek Energy, are proposing to commence development in 2018 with a start-up date of 2020. The size of the additional generation in this region and the development schedule of the proponent will likely trigger this contingent project in the regulatory review period.

² http://www.minerals.statedevelopment.sa.gov.au/about_us/initiatives/south_australias_copper_strategy



North-West

The mining assessment and environmental impact statement for the Carrapateena copper project east of Woomera has identified that a connection into the 132kV line at Mt Gunson will be required. OZ Minerals, the project proponent, is projecting a production commencement date in the second half 2019. Civil works at the site currently underway. Carrapateena is the newest copper mine in the region and one of several deposits identified (refer to the South Australia Copper Strategy, 2017).

SACOME is aware that new renewable energy projects have been proposed at Roxby Downs (Lyon Group) and Port Augusta (Solar Reserve) which will further increase the load on the line in the future. These projects are at a mature stage of development with proponents seeking partnerships and offtake agreements.

These transmission line projects, Eyre, North-West and North-East, are in regions where there is expected to be significant mineral and energy developments becoming operational in the next 5 years. The transmission assets are old and require reinforcement or upgrading to meet future load demand.

The nature of mineral and energy developments combined with the process to upgrade transmission assets causes a circular impasse. The allowance of contingency projects predicated by development triggers is necessary to alleviate this.

SACOME recommends that these three transmission projects are included in the contingency projects component of ElectraNet's revenue proposal for 2018-2023.

Yours Sincerely,

A handwritten signature in black ink, appearing to read "Dayne", with a long horizontal stroke extending to the right.

Dayne Eckermann
Senior Policy Advisor