

DEVELOPMENT OF ELECTRICITY SUPPLY TO THE NEW SOUTH WALES MID NORTH COAST

SUPPLEMENT TO THE FINAL REPORT

JULY 2005

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1. EXECUTIVE SUMMARY

In October 2003 TransGrid and Country Energy published the Final Report on consultation on options for the development of electricity supply to the Mid North Coast of New South Wales, and application of the ACCC's regulatory test.

Since that time a number of factors have led to a material change in the expected cost of the recommended option, construction of a 330/132 kV substation at Coffs Harbour.

This supplement to the final report provides information on the changes to the estimated cost. Those changes do not alter the recommended option.

2. CHANGES TO THE ESTIMATED COST

2.1. Magnitude of Changes

The estimated cost of the recommended option included in the Final Report was \$17 million (2002 \$), including \$1 million for an additional line switchbay at Armidale. The latest estimated cost for the 330/132 kV substation is \$27.2 million.

The major components of the cost escalation are shown in Table 1 below.

Table 1 Components of Revised Cost Estimate

Component	July 2002 Estimate	Present Estimate
Substation HV Plant	5.5	6.4
Substation Works Contract	4.0	8.8
Lines Works Contract	1.7	2.4
Property	0.8	1.9
Design, Supervision and Commissioning	1.7	4.4
Other Work Elements	3.4	3.4
Total	17	27.2

The primary drivers for the increases in these areas are set out below.

2.1.1. Substation HV Plant

The provision of high voltage plant is competitively tendered. The increased cost reflects generally higher contract prices due, inter alia, to increased international demand.

2.1.2. Substation Works Contract

The increase in cost is due to a number of factors, including:

- increased substation security facilities beyond those originally anticipated; and
- increased cost of:
 - civil works;
 - materials, particularly low voltage cables and steel; and
 - labour.

The civil works costs reflect the extent of other (competing) major projects on the north coast as well as more extensive cut and fill, more extensive drainage works and less favourable soil conditions than originally anticipated. The cost of labour reflects the availability of skilled personnel in the area and local and international demand has adversely impacted the cost of materials.

2.1.3. Lines Works Contract

Similar to the substation works, the cost of the line works contract has been affected by increases in the costs of labour and materials.

2.1.4. Property

The increase in property costs is attributable to increases in market values and the need to acquire more easements than originally anticipated.

2.1.5. Design, Supervision and Commissioning

The increase in these costs is due to the original cost being under-estimated and the design scope increasing, particularly due to the requirement for increased substation security, more extensive civil works than previously anticipated and increased complexity of control and protection schemes which are required to interact and co-ordinate with equipment at Armidale and Lismore.

2.2. Impact on the Recommended Option

The Final Report considered two broad network options, construction of a 330/132 kV substation on a site a few kilometres from the existing 132/66 kV substation and construction of the 330/132 kV substation adjacent to the existing 132/66 kV substation.

Non-network options were canvassed in the Consultation Paper but were not included in the Final Report as no proponents have emerged.

As the cost increases would apply to establishment of a 330/132 kV substation at either site, they do not affect the ranking of the options. Consequently the recommended option is unchanged.