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Non-network solutions to meet system strength requirements in NSW

Date of issue: 16 December 2022

## 

Context

Transgrid is seeking Expressions of Interest (EOI) from potential **System Strength Contractors[[1]](#footnote-2)** to provide non-network options to:

* address a system strength Shortfall in the transmission network at Newcastle and Sydney West that is forecast to arise from 1 July 2025 and continue until 1 December 2025; and/or
* deliver system strength services to the NSW power system to meet standards set by AEMO from 2 December 2025, including for the safe and secure operation of the power system and to facilitate the stable voltage waveform of new inverter-based renewable generators (efficient level).

Responses to this EOI will inform the development of Transgrid’s Regulatory Investment Test for Transmission (RIT-T) for ‘[Meeting System Strength Requirements in NSW](https://www.transgrid.com.au/projects-innovation/meeting-system-strength-requirements-in-nsw)’, including the technical and economic assessment of credible options to meet Transgrid’s system strength requirements across NSW and over different time horizons. The RIT-T is a whole-of-market economic benefits test and optimisation; its conclusions will rank potential network and non-network solutions and identify the preferred option (or portfolio of options) that will maximise net market benefits.

Where non-network solutions (i.e. services procured from third parties) form part of the preferred option selected through the RIT-T process, Transgrid will run a competitive procurement process and/or commercial negotiations to establish network support contracts with these proponents.

This Returnable Schedule should be read in conjunction with our EOI for [Non-network solutions to meet system strength requirements in NSW](https://www.transgrid.com.au/projects-innovation/meeting-system-strength-requirements-in-nsw).

Mandatory information to be provided

Proponents should provide the following information (as applicable), using this Returnable Schedule.

Project details

| Parameter | Applicable technology | Description | Response |
| --- | --- | --- | --- |
| Company name | All | Name of the company submitting this EOI |  |
| ABN | All | ABN of the company submitting this EOI |  |
| Key contact name | All | Name of the key contact for this EOI |  |
| Contact email address | All | Email address for the key contact |  |
| Contact phone number | All | Phone number for the key contact |  |
| Solution name / address | All | Name and/or address of the solution (or multiple units that form part of the solution) |  |
| Location | All | Substation of connection to the transmission network |  |
| Commissioning date | New or modified solutions | Expected date for a proposed new project to have completed construction, grid connection, testing and all commissioning activities and be available to provide the proposed system strength service |  |

Technical

| Parameter | Applicable technology | Description | Response |
| --- | --- | --- | --- |
| Technology type | All | e.g. synchronous generator, grid forming battery, grid forming renewables, synchronous condenser |  |
| Asset life | All | Expected operating life for (new and existing) assets that will provide proposed system strength services |  |
| Details | All | Details of equipment, including multiple units if appropriate, and any other relevant information describing the solution (existing or new) |  |
| Rated Capacity | All | Rated capacity of the solution in MVA |  |
| Minimum stable operating level | Synchronous generators | If the solution is a synchronous generating unit(s), the minimum stable operating level of each unit in MW |  |
| Overload capacity | Inverter-based solutions | If the solution is an inverter-based solution, the overload capacity of the inverter in MVA or percent of Rated Capacity |  |
| Duration of fault current contribution | All | In the event of a fault in the system, duration that the solution can sustain the fault current contribution in seconds |  |
| Fault current contribution at the point of connection | Existing units | If the solution is an existing unit(s), fault current contribution at the point of connection to the network in MVA |  |
| Sub transient impedance of the machine | New synchronous machine | If the solution is a new synchronous machine, sub transient impedance of the machine, in per unit (p.u.) |  |
| Impedance of the transformer | New inverter-based solutions | If the solution is a new inverter-based solution, impedance of the transformer, in per unit (p.u.) |  |
| Vector group of the transformer | All | For example, Star/Delta, Delta/Star, Star/Delta/Delta etc. |  |
| Line impedance to the point of connection | New solutions | If the solution is new, an estimate of line impedance to the point of connection of the transmission network, in per unit (p.u.) |  |
| Communications | All | Proposed dispatch communications protocol with AEMO and/or Transgrid’s control room |  |
| Inertia contribution[[2]](#footnote-3) | All | Inertia or synthetic inertia contribution of the solution in MWs |  |

Availability and activation

|  |  |  |  |
| --- | --- | --- | --- |
| Parameter | Applicable technology | Description | Response |
| Start-up time | All | Expected time following a request for enablement before the solution can provide contracted system strength services |  |
| Continuous running time | All | Maximum period of time the solution can be run continuously when providing system strength services |  |
| Annual availability | All | Annual availability of the solution to provide system strength services, represented as a percentage of a year. 95% is proposed, but proponents may choose to propose an alternative value |  |
| Annual maintenance duration | All | Duration of a year in which the solution would be offline for maintenance (represented in hours or a percentage) |  |
| Periods of unavailability | All | Likely month/day/time that the solution will be unavailable to provide contracted system strength services (if any) |  |
| Additionality of system strength services (Shortfall period only) | Existing generators | During the period of the system strength Shortfall (1 July 2025 to 1 December 2025 only), indicate how the proposed solution will provide additional system strength services, beyond what is already likely to be available as a result of electricity market dispatch |  |

Economic

The RIT-T is a whole-of-market economic benefits test which seeks to identify the transmission investment option(s) that maximises net market benefits – which may include network and/or non-network solutions. In August 2020 the Australian Energy Regulator (AER) published an update to its RIT-T Application Guidelines[[3]](#footnote-4) which clarified that RIT-T analysis should reflect total costs and market-wide benefits of credible non-network options (a change from the previous approach, in which costs of non-network options were estimated based on costs that could be expected in a tender process). As a result, in this EOI Transgrid is seeking information about both the expected *economic cost* (regardless of ownership) and the expected *contract price* of proposed non-network options.

**Note**: Existing and committed assets are considered to have no capital costs (although modifications to existing facilities may include incremental capital investment which should be included).

| Parameter | Applicable technology | Description | Response |
| --- | --- | --- | --- |
| Available to meet all or part of the system strength Shortfall (1 July 2025 to 1 December 2025) | All | Yes/no  Please specify expected availability dates during this period |  |
| Available to meet the System Strength Rule Change (on or after 2 December 2025) | All | Yes/no  Please specify expected availability dates during this period |  |
| Service start date | All | Proposed start date for providing the system strength service to Transgrid |  |
| Service end date | All | Proposed end date for providing the system strength service to Transgrid |  |
| Capital cost | All | Total capital cost (regardless of ownership)[[4]](#footnote-5) for the proposed solution, including costs of plant/equipment, land, civil works, grid connection assets and development costs.  If possible, please reflect the actual spend profile for the project (otherwise, lump sum).  These costs must exclude a rate of return on capital, and should not subtract any:   * Expected payments from Transgrid * Expected payments or revenues from energy (and related) markets * External funding contributions (e.g. grants)   Existing or committed assets are considered to have zero capital cost (i.e. are a sunk cost). However, capital costs associated with modifying or upgrading existing facilities to provide system strength services should be included. |  |
| Committed project | New solutions | Yes/no  Will the proposed system strength services be provided by assets that meet the definition of ‘committed project’ under the AER’s RIT-T Application Guidelines, using the following criteria:  a) The proponent has obtained all required planning consents, construction approvals and licenses, including completion and acceptance of any necessary environmental impact statement  b) Construction has either commenced or a firm commencement date has been set  c) The proponent has purchased/settled/acquired land (or commenced legal proceedings to acquire land) for the purposes of construction  d) Contracts for supply and construction of the major components of the necessary plant and equipment (such as generators, turbines, boilers, transmission towers, conductors, terminal station equipment) have been finalised and executed, including any provisions for cancellation payments  e) The necessary financing arrangements, including any debt plans, have been finalised and contracts executed. |  |
| External contributions | New projects | Has the project that is proposed to provide system strength services received any external funding (or is expected to receive external funding) such as from ARENA or government? |  |
| Fixed operating cost | All | Annual fixed operation and maintenance (FOM) costs of the underlying resource |  |
| Variable operating cost | All | Expected running costs ($/MWh or $/hour) of the underlying resource, including fuel costs and variable operations and maintenance (VOM) |  |
| Greenhouse gas emissions  (scope 1) | All | Estimated scope 1 greenhouse gas emissions from providing system strength services (tCO2e/MWh or tCO2e/hour) |  |
| Greenhouse gas emissions (scope 2) | All | Estimated scope 2 greenhouse gas emissions from providing system strength services (tCO2e/MWh or tCO2e/hour) |  |
| Project benefits | All | Beyond system strength services, describe other services that the assets/project will provide in energy and related markets (e.g. wholesale energy market, ancillary services markets, other network support services). |  |
| Expected system strength **contract price**  (paid by AEMO and/or Transgrid) | All | Proposed fees payable for the provision of system strength services. The fee structure should include the following components (in line with the draft OSM structure):   * Establishment Fee: one-off setup cost, if applicable. * Availability Fee: monthly payment for the service to be made available to Transgrid. This is intended to cover fixed costs for providing the service. * Enablement Fee: $ per event, intended to cover the cost of the service being enabled/activated. * Variable Fee: $/MWh fee to operate at the minimum stable operating level for synchronous generators, or $/hour for other solutions   Please specify whether fees are in real or nominal terms, and any indexation methodology that applies. |  |

Other supporting information to be provided

Please also provide other relevant information that Transgrid should consider in its assessment. This may include:

* Technical specifications of the service/technology/equipment being offered.
* Details of any material assumptions used to prepare your submission to the [EOI](https://www.transgrid.com.au/projects-innovation/meeting-system-strength-requirements-in-nsw), including in relation to the legal terms provided in Appendix A.
* Evidence of the capability and capacity to deliver the proposed non-network option to Transgrid, including:
  + experience in delivering system strength or related services;
  + expected project delivery timeframes, where relevant; and
  + evidence of technical maturity and economic feasibility (cost-effectiveness) of proposed solution.

EOI submissions

Transgrid invites you to propose solution(s) that can meet, or help to meet, Transgrid’s system strength requirements for the NSW power system.

EOI proposals and the Returnable Schedule (this form) are to be emailed to [systemstrength@transgrid.com.au](mailto:systemstrength@transgrid.com.au)   
**no later than 6pm, 30 March 2023**.

1. System Strength Contractors are defined as third party businesses that provide system strength services to Transgrid under a network support contract. [↑](#footnote-ref-2)
2. Note that this EOI is not seeking inertia support. However, Transgrid is likely to have future inertia needs as synchronous generators retire (See Transgrid’s 2022 [TAPR](https://www.transgrid.com.au/tapr), page 98), and will seek to co-optimise these needs where possible. [↑](#footnote-ref-3)
3. AER, 2020, Final decisions – Guidelines to make the Integrated System Plan Actionable, p25, <https://www.aer.gov.au/system/files/AER%20-%20Final%20decision%20-%20Guidelines%20to%20make%20the%20ISP%20actionable%20-%2025%20August%202020.pdf> [↑](#footnote-ref-4)
4. As per RIT-T guidelines, capital costs are considered $0 for existing or committed assets, and for new assets the total capital cost of the underlying resource for the non-network solution (i.e. regardless of ownership). [↑](#footnote-ref-5)