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Date: 19 January 2023

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## Project Energy Connect Market Integration Paper

The Australian Energy Regulator (AER) welcomes the opportunity to comment on the Project Energy Connect (PEC) Market Integration Paper (the Paper). The Paper raises a number of challenges with the integration of PEC into the National Electricity Market (NEM). In particular, it covers the issue of “loop flows” formed by PEC when it creates an AC loop between South Australia, New South Wales and Victoria (in combination with the Heywood and Victoria to NSW interconnectors). The Paper raises the likelihood of material uneconomic flows occurring upon the integration of PEC, and the AER considers this consultation an important step in ensuring this risk is mitigated efficiently.

It is unclear whether the existence of loop flows was taken into account in the regulatory investment test for transmission (RIT-T) for PEC. The RIT-T stated “[t]he proposed new interconnector would be fitted with phase-shifting transformers which allow power flows to be controlled”<sup>1</sup>, indicating that loop flows were not anticipated in the cost benefit analysis for PEC. The materiality of loop flows is also unclear. As such, we consider that any remaining viable solutions at this later stage must be sufficiently consulted on to ensure Market Participants properly understand the outcomes and how to hedge against any risks efficiently, in order to minimise the financial impact on consumers.

We consider the level of information given in the Paper, along with the timeframe for submission, does not allow for an adequate consideration of solutions which is commensurate with the materiality of the issue. As such, we propose that AEMO extends this consultation process to allow time for further exploration of the risks and benefits of the proposed solutions.

We thank AEMO for the opportunity to submit on this process. If you have any questions about our submission, please contact Chris Ridings on 08 8213 3487.

Yours sincerely,



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<sup>1</sup> SOUTH AUSTRALIA ENERGY TRANSFORMATION PACR, 13 FEBRUARY 2019, page 169