

Charleville – Notice of Withdrawal of Recommendation



22 September 2015



Introduction

Ergon Energy Corporation Limited (Ergon Energy) identified emerging limitations in the electricity distribution network supplying Charleville in 2012¹. In accordance with the requirements of the National Electricity Rules, a Regulatory Test of suitable options was undertaken, which resulted in the publication of a Final Report in August 2013.

The Final Report documented the evaluation of options and declared Ergon Energy's intent to proceed with the option to develop a diesel generation solution for the region, as outlined in the following section.

¹ Ergon Energy Corporation Limited, Emerging Distribution Network Limitations in the Charleville Area – Request for Information, 23 May 2012

Option as recommended in the Final Report

In its Final Report for this consultation, Ergon Energy drew the following conclusions from the analysis presented:

- There is no acceptable 'do nothing' option. The load is already above the levels recommended in Ergon Energy's security of supply criteria.
- The power station options were 'own and operate' proposals which although required no capital outlay, required substantial ongoing network support payments from Ergon Energy for a minimum of 10 years – which was determined to be not economically viable in both cases.
- The economic analysis carried out indicates a diesel generation solution has the lowest net present cost. This is primarily due to the solution required being for security (back-up supply) rather than for base load purposes. Consequently, expected run times (and the resulting operational costs) are low, so proposals minimising the capital costs will be the most cost effective.
- Costings provided by the RFI proponents were high-level in nature. The external diesel generation quotes were consistent with the internal benchmark.
- As diesel generation options provide the lowest cost options in all scenarios, they are considered to satisfy the Regulatory Test.

Based on the above conclusions, and in order to meet its security of supply criteria applicable at the time, Ergon Energy made the following recommendation in its Final Report:

- That Ergon Energy proceed to a closed tender to optimise a diesel generation solution for the Charleville region. This solution will address Ergon Energy's security of supply requirements; and
- Ergon Energy will commence actions to progress the solution decided on to ensure system reliability is maintained.

Withdrawal of the recommended works

Although the ENCAP Review, which resulted in new security standards did not trigger a change to the recommended option, further changes to the security standards that were recommended by the Inter-Departmental Committee and Independent Review Panel, and accepted by the Government, necessitated that Ergon Energy adopt a probabilistic approach to planning.

As a consequence of these changes to security standards, Ergon Energy considers that the proposed works are no longer required to address an identified need in the timeframe referred to in the original consultation.

Therefore, Ergon Energy has decided to withdraw the recommendation to complete the diesel generation solution for the Charleville region on the basis that it would not be prudent and efficient to proceed with the works.

If at some stage in the future, an identified need arises that would necessitate the delivery of an option to address that need, Ergon Energy will undertake a RIT-D assessment, if required.

Further information relating to the consultation about this project is provided on our web site: <https://www.ergon.com.au/network/network-management/network-infrastructure/regulatory-test-consultations/closed-consultations>

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