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ABN 87 572 206 200
Reg No. G0003442Y

4 February 2019

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Dear Victorian Government,

**Re: Formal request for special consideration for HCAP application**

As part of the HCAP program, the State Government is requiring Powercor and other network operators to install additional protection equipment to protect against bushfires. When this equipment operates, it exposes equipment on the line to higher voltages than are otherwise typical. This may exceed the equipment ratings and cause damage unless additional protection equipment (on the customer/generator side) is installed.

A number of Hepburn Wind's major high voltage assets at the Leonards Hill plant site will now require upgrade and/or verification to operate safely and reliably on the REFCL protected circuits. This is known as "network hardening". Network hardening can be completed by testing equipment at the elevated phase-to-earth voltage caused by REFCL technology, and/or by refurbishing or replacing HV assets.

An Impact Assessment Study has been completed by the engineering consultants Middleton Group at a cost of $13,090. The budgetary cost of asset hardening is forecast to be between $520,000 (excl. GST) and $1,140,000 (excl. GST) +/- 50%. The difference is largely dependent on whether distinct equipment is refurbished or replaced. The wind farm is not comfortable with the ongoing risk profile of refurbishing equipment and estimates that the high end of the quote is a more realistic and safer target. However, these costs aren't at levels that the co-operative can afford, even with 50% funding from the HCAP grant.

Proudly community green.

# hepburn wind community energy

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As a community co-operative, we find significant issues with the approach given to the REFCL program. Namely, there is a lack of consistency of funding approach between Tranche 1 and 2 which we see as fundamentally unfair. The distribution businesses pick which zone substations to "contribute" to meet their points totals for each particular tranche; the allocation of zone substations into tranches is entirely at the discretion of the distribution businesses and is based on their operational and technical considerations. Therefore another wind farm such as Wonthaggi Wind Farm falls into Tranche 1 and is fully funded, however, our co-operative under Tranch 2 is burdened with very high costs and project management activities.

Only supporting the upgrades with 50% of the funding places the co-operative in a high-risk scenario and will impact cash flow and the future growth strategy of the co-operative including plans for a 3MW solar farm development. We would like to put forward the following issues:

1. Full funding of our upgrade is needed.
2. Taxation of 27.5% of the grant income will result in the co-operative being liable for the majority of costs - is there another way to fund the upgrades directly?
3. Lack of support for Impact Assessments Study is an unplanned cost for the co-operative, can these be reimbursed?
4. The resource burden on staff and volunteer board isn't covered at all and already significant time has been spent on this issue taking us away from our core business.
5. Ongoing operational risks and curtailment risks are not covered by the program.
6. Going for an affordable option may impact the performance of the wind farm over the long term - a significant risk for our lean operation.
7. There is no coverage for downtime related to the upgrades and the resulting loss of income.

We would like to apply for special consideration under the HCAP program in order to meet the required obligations. We hope you will work with us to find a solution here where we will not be unfairly burdened by what should be an activity of State Government and Network Distributors.

Kind Regards

Taryn Lane
General Manager

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