



Government Gazette

of the State of

New South Wales

Number 376 - Electricity and Water

Thursday, 18 September 2025

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PRIORITY NETWORK INFRASTRUCTURE PROJECT DIRECTION (SYSTEM STRENGTH PROJECT) ORDER 2025

Under the

Electricity Infrastructure Investment Act 2020 (NSW)

I, Penny Sharpe MP, Minister for Energy, being satisfied that the direction given by this Order is in the public interest, is consistent with the objects of the Act and is an appropriate response to a forecast shortfall in system security services identified in a report prepared under or published in accordance with the *National Electricity Rules*, Chapter 5, 6 or 6A, and having undertaken all consultation and considered all matters required by Part 5 Division 2 of the Act, make the following Order under section 32(1)(b) of the Act.

Dated this 12 day of September 2025

Penny Sharpe



The Hon. Penny Sharpe MLC

Minister for Energy

Explanatory note

The object of this Order is to direct a network operator to carry out a priority network infrastructure project in accordance with this Order.

PRIORITY NETWORK INFRASTRUCTURE PROJECT DIRECTION (SYSTEM STRENGTH PROJECT) ORDER 2025

1 Name of Order

This Order is the *Priority Network Infrastructure Project Direction (System Strength Project) Order 2025*.

2 Commencement Date

This Order commences on the date that it is published in the Gazette.

3 Definitions

Unless otherwise defined in this Order, words and phrases defined in the Act have the same meaning in this Order.

Act means the *Electricity Infrastructure Investment Act 2020 (NSW)*.

AIPP means an Australian Industry Participation Plan prepared under the *Australian Jobs Act 2012* (Cth) in accordance with a plan approved under the Act, section 9(3).

APP means an Aboriginal Participation Plan prepared in accordance with guidelines issued under the Act, section 4(1).

Associated Works Package means the works required to integrate the Synchronous Condensers into the Locations, including balance of plant, earthworks foundations, other civils, high voltage and substation enabling works, site infrastructure, associated buildings and installation of ancillary equipment.

Design and Construct Contract means the contractual arrangement described in Schedule 1, clause 2(d).

Contestable Elements means the following, which are to be carried out by persons selected following a competitive assessment process:

- (a) provision of the Synchronous Condenser Package; and
- (b) provision of the Associated Works Package.

Infrastructure Planner means the Secretary of the Department of Climate Change, Energy, the Environment and Water (**DCCEEW**), in their capacity as the infrastructure planner for the System Strength Project pursuant to an instrument of appointment dated 19 December 2024.

Locations means the existing Transgrid substations at Kemps Creek (Gurner Avenue, West Hoxton), Newcastle (Killingworth Road, Killingworth), Armidale (Grafton Road, Armidale), Wellington (Gulgong Road, Wellington) and Darlington Point (Donald Ross Drive, Darlington Point).

Long-term Service Agreement means the contractual arrangement for each of the five locations described in Schedule 1, clause 2(c).

Non-Contestable Elements means Transgrid carrying out:

- (a) the procurement and management of the Contestable Elements; and
- (b) the other works necessary to commission the Synchronous Condensers, and owning, operating and performing day-to-day maintenance functions for the Synchronous Condensers as the network operator

PACR means the 14 July 2025 project assessment conclusions report prepared by Transgrid under Chapter 5 of the *National Electricity Rules* with the title '*Meeting system strength requirements in NSW RIT-T Project Assessment Conclusions Report*' as published on Transgrid's website.'

PADR means the 17 June 2024 project assessment draft report prepared by Transgrid under Chapter 5 of the *National Electricity Rules* and entitled '*Meeting system strength requirements in NSW RIT-T Project Assessment Draft Report*' as published on Transgrid's website.'

R2 hold testing means the post-commissioning assurance that the Synchronous Condensers' on-site performance is validated by AEMO against the modelling results from the R1 testing phase, and the Synchronous Condensers can be safely integrated into the grid.

Supply Contract means the contractual arrangement described in Schedule 1, clause 2(b).

Synchronous Condenser Package means the design, manufacture, supply, installation, commissioning and long-term servicing (including operational support and asset maintenance) of synchronous condensers at the Locations. The Synchronous Condenser Package must provide at least 950 MVA fault level at the point of connection (the High Voltage side of the transformer) at each of the Locations. Each individual Synchronous Condenser that forms part of the Synchronous Condenser Package must provide at least 1500 MWs of inertia and have a continuous reactive power capability of 40 per cent of MVA rating (capacitive and inductive).

Synchronous Condensers means the synchronous condensers to be installed at the Locations as part of the Synchronous Condenser Package.

System Strength Underwriting Agreement means the contractual arrangement described in Schedule 1, clause 2(a).

System Strength Delivery Plan means the System Strength Delivery Plan in Schedule 2.

System Strength Project - see Schedule 1, clause 1.

Transgrid means NSW Electricity Networks Operations Pty Ltd (ACN 609 169 959) as trustee for NSW Electricity Networks Operations Trust (ABN 70 250 995 390).

4 Direction to carry out System Strength Project

Transgrid is directed to carry out the System Strength Project in accordance with this Order.

This Order is made following:

- (a) careful consideration of the assessment and recommendations made by the Infrastructure Planner in the Infrastructure Planner Recommendation Report, dated September 2025;

- (b) consultation with Transgrid, in Transgrid's capacity as network operator and transmission network service provider, pursuant to sections 32(3) and 34(1)(d) of the Act respectively;
- (c) consultation with:
 - (i) the Minister for Planning and Public Spaces;
 - (ii) AEMO;
 - (iii) the Australian Energy Regulator as the regulator appointed for the purposes of Part 5 of the Act;
 - (iv) distribution network service providers Ausgrid, Endeavour Energy and Essential Energy pursuant to section 34(1) of the Act; and
 - (v) the relevant council for the local government areas in which the Synchronous Condensers will be located.

5 Completion dates

Transgrid must, taking all reasonable steps, complete the planning, design and construction of the System Strength Project by achieving the Transgrid Delivery Milestones by the required Milestone Dates identified in the System Strength Delivery Plan.

6 Recommended contractual arrangements and further conditions

Transgrid must:

- (a) enter into the recommended contractual arrangements identified in Schedule 1, clause 2; and
- (b) comply with the further conditions set out at Schedule 3.

7 Grounds on which the giving of this direction is consistent with the objects of the Act

I am satisfied that giving this direction is consistent with the objects of the Act on the grounds set out at Schedule 4.

Schedule 1—System Strength Project specifications

In accordance with section 32(2) of the Act, this Schedule 1 sets out the specifications of the System Strength Project.

1 Description

The System Strength Project means:

- (a) the Contestable Elements; and
- (b) the Non-Contestable Elements.

2 Recommended contractual arrangements

- (a) A System Strength Underwriting Agreement, in the form of an agreement between Transgrid and the Crown in right of the State of New South Wales, setting out rights and responsibilities of the parties in respect of the carrying out of the System Strength Project.
- (b) Supply Contract(s) for the Locations arrived at through the competitive assessment process arranged by the Infrastructure Planner and setting out the terms on which the Synchronous Condenser supplier(s) will provide the Synchronous Condenser Package (other than the aspects of the Synchronous Condenser Package that are provided pursuant to the Long-Term Services Agreements).
- (c) Long-Term Services Agreement(s) for the Locations arrived at through the competitive assessment process arranged by the Infrastructure Planner to procure the long-term service of the Synchronous Condensers from the Synchronous Condenser supplier(s).
- (d) Design and Construct Contract(s) for the Locations arrived at through the competitive assessment process arranged by the Infrastructure Planner and setting out the terms on which the Design and Construct contractor(s) will provide the Associated Works Package.

Schedule 2—System Strength Delivery Plan

Transgrid Delivery Milestone		Milestone Date
1	Transgrid to submit a determination application to the regulator	March 2026
2	Transgrid to connect and commission (except for R2 hold testing) each of the Synchronous Condensers	September 2028

Schedule 3—Further conditions

1 First Nations Guidelines

Pursuant to section 4(3) of the Act, Transgrid must:

- (a) prepare and implement an APP; and
- (b) report to the Infrastructure Planner on progress by Transgrid and persons to which it has awarded a Supply Contract or Design and Construct Contract against the commitments made in the APP;

in accordance with the guidelines issued by the Minister under section 4(1) of the Act and the relevant obligations set out in the contractual arrangements detailed in Schedule 1, clause 2.

2 Renewable Energy Sector Board Plan

Pursuant to section 9(2) of the Act, Transgrid must:

- (a) prepare and implement an AIPP for the System Strength Project that includes the supplementary details that the Renewable Energy Sector Board Plan (**RESB Plan**) requires be included in an Industry Participation Plan; and
- (b) report to the Infrastructure Planner on progress by Transgrid and persons to which it has awarded a Supply Contract or Design and Construct Contract against the commitments made in the AIPP;

consistent with the RESB Plan approved by the Minister under section 8(3) of the Act and in accordance with the relevant obligations set out in the contractual arrangements detailed in Schedule 1, clause 2.

3 Validating the performance and compliance of the System Strength Project

Transgrid must cooperate and coordinate with AEMO to enable R2 hold testing at the Locations to be completed as early as possible following the completion of the works outlined in the System Strength Delivery Plan.

Schedule 4—Consistency with objects of the Act

I am satisfied giving the direction is consistent with the objects of the Act on the following grounds:

(a) *to improve the affordability, reliability, security and sustainability of electricity supply,*

Giving this Direction will accelerate Transgrid's procurement of Synchronous Condensers by 12 to 18 months. Transgrid's PACR indicates this will improve system security and reliability by avoiding \$897 million in involuntary load shedding costs, improve affordability by avoiding \$155 million in fuel consumption costs, and improve sustainability by avoiding \$8 million in greenhouse gas costs.

(b) *to co-ordinate investment in new generation, storage, network and related infrastructure*

Giving this direction will make it possible to coordinate the commissioning of the Synchronous Condensers with investment in other network, storage and generation infrastructure and the closure of Eraring Power Station.

(c) *to encourage investment in new generation, storage, network and related infrastructure by reducing risk for investors,*

Giving this direction will encourage Transgrid to invest in network infrastructure by reducing the risk that the Regulator will not allow it to recover all its costs.

(d) *to foster local community support for investment in new generation, storage, network and related infrastructure,*

Giving this direction will make it clear that this project is a Government priority and foster the community's confidence that investment in new generation, storage and network infrastructure maintain a reliable and secure power system.

(e) *to support economic development and manufacturing,*

Giving this direction will reduce risks to power system security and reliability, that may otherwise hamper economic development in NSW including investment in new manufacturing facilities.

(f) *to create employment, including employment for Aboriginal and Torres Strait Islander people and increasing employment and income opportunities for Aboriginal and Torres Strait Islander people in NSW.*

Giving this direction will ensure Transgrid delivers the project consistent with an APP

(g) *to promote local industry, manufacturing and jobs,*

Giving this direction will ensure the project is delivered in a way that is consistent with the relevant First Nations Guidelines and RESB Plan and report on Transgrid's progress made against the commitments set out in the First Nations Guidelines and RESB Plan.

(h) *to promote export opportunities for generation, storage and network technology.*

Giving the direction will accelerate NSW's procurement of Synchronous Condensers so that it occurs sooner than in Queensland or Victoria. The direction's requirement for an AIPP will grow the workforce and businesses with the skills to deliver Synchronous Condensers. This will create opportunities for the workers and service providers supporting NSW's project to offer their services to other states at a later stage.

- (i) *to promote consultation and negotiation with the traditional Aboriginal owners of land on which generation, storage and network infrastructure is proposed to be constructed or operated under this Act*

Extensive Aboriginal Heritage Information Management System searches confirmed that there are no recorded Aboriginal sites for the Locations. Aboriginal heritage assessments will be carried out for all the Locations to assess desktop due diligence and field assessment findings. The findings and required mitigation measures to avoid adverse impact because of the System Strength Project will be included within a Summary Environmental Report for each of the Locations.