

# Basslink

# Consultation Paper

Commencement and Process Paper Amendment

May 2024

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### **Amendment record**

Version	Date	Pages
Final	7 May 2024	9

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# 1 Background

On 14 July 2023, we published a Commencement and Process Paper setting out our decision to commence a revenue determination process for the Basslink interconnector.<sup>1</sup> The process we adopted included considering APA's application to convert the Basslink interconnector from a Market Network Service Provider (MNSP) to a prescribed Transmission Network Service Provider (TNSP) and the revenue determination concurrently. The revenue determination will apply in the event Basslink converts to a prescribed TNSP, regulated by the AER.

In considering Basslink's conversion application, we are required to determine whether regulation of Basslink would, or is likely to, contribute to the achievement of the National Electricity Objective (NEO). Consequently, whether Basslink should be converted to a regulated TNSP is a 'with or without' regulation question. That is, would the benefits of regulation outweigh the costs to consumers.

On 10 November 2023, we published the Basslink Issues Paper and invited submissions, closing 16 February 2024.<sup>2</sup> Under the established timeline our draft decision is expected on 14 June 2024.

We are proposing to amend the Basslink Commencement and Process Paper, with proposed amendments to include a Position Paper and revised Final Decision date to support additional consultation. Stakeholder submissions in response to the Basslink Issues Paper, including divergent views on the merits of converting Basslink's services to regulated services and cost allocation between Victoria and Tasmania, have been critical to informing our decision to propose amendments to the Basslink Commencement and Process Paper.

Submissions also highlighted stakeholders consider further information, including modelling, is required to understand whether Basslink operating as a prescribed TNSP would, or is likely to, contribute to the NEO. We consider the addition of a Position Paper, informed by independent modelling, is a prudent step and responsive to stakeholder views.

Our legal powers to make this amendment and the rationale for the proposed changes are set out below.

## 1.1 Submissions

We invite stakeholders to make written submissions on this consultation paper by COB 31 May 2024. Submissions should be emailed to [ResetCoord@aer.gov.au](mailto:ResetCoord@aer.gov.au).

We prefer that all submissions be publicly available to facilitate an informed and transparent consultative process. We will treat submissions as public documents unless otherwise requested. All non-confidential submissions will be placed on the AER's website. For further

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<sup>1</sup> AER, *Basslink Decision: Commencement and Process Paper*, July 2023. Available at: [Basslink - Determination 2025-30: Decision](#)

<sup>2</sup> AER, *Issues Paper: Conversion and Revenue Determination 2025-30*, July 2023. Available at: [Basslink - Determination 2025-30: Issues Paper](#)

information regarding the AER's use and disclosure of information provided to it, see the ACCC/AER Information Policy.

## 2 Legal power to amend Commencement and Process Paper

APA's regulatory proposal<sup>3</sup> was submitted in accordance with Rule 6A.9 of the National Electricity Rules (the Rules). This Rule provides for an 'Intending TNSP' to request us to commence the process for making a transmission determination for a proposed prescribed transmission service, and to determine the process to apply for making that transmission determination.<sup>4</sup>

Our decision to commence a transmission determination process for Basslink required us to also publish a Commencement and Process Paper. The matters we must include in a Commencement and Process Paper are specified in clause 6A.9.3 of the Rules and include:

- the commencement date for Basslink's transmission determination
- the date Basslink must submit its revenue proposal and proposed pricing methodology
- the modifications to the process we may determine in making Basslink's transmission determination
- whether we should run the conversion application process and the transmission determination process concurrently.

Clause 6A.9.3(f) provides a process for amending a Commencement and Process Paper at the request of the relevant intending TNSP. However, it does not set out the process where we initiate amendments. Consequently, we consider exercising our power to amend under the National Electricity Law (the Law) as the preferred approach.

The Law provides a general power to amend or repeal instruments and decisions. Section 20 of Schedule 2 to the Law states that where the Law provides the power to make an instrument, decision or determination, the power includes power to amend or repeal the instrument, decision or determination. We have referred to this power as the 'revisiting provision.' We consider the revisiting provision allows for amending the Basslink Commencement and Process Paper.

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<sup>3</sup> APA, *Basslink: Application for conversion and request to commence the process for making a transmission determination*, 19 May 2023. Available at: [Basslink - Determination 2025–30: Initiation](#)

<sup>4</sup> NER, cl 6A.9.2.

## 3 Rationale and summary of amendments

### 3.1 Rationale for amendments

Stakeholder submissions in response to the Basslink Issues Paper have been critical in informing our decision to propose amendments to the Basslink Commencement and Process Paper. Submissions noted the complexity of assessing the benefits of regulation and sought further information, including modelling, to better understand the implications for consumers of Basslink operating as a MNSP or prescribed TNSP.<sup>5</sup>

The addition of a Position Paper and Public Forum will assist interested stakeholders in their understanding of key issues including the extent of any benefits for consumers should Basslink convert to a regulated TNSP. The proposed Position Paper, informed by the results of independent market modelling obtained by the AER, will afford interested stakeholders with an opportunity to review and respond to the modelling and thus inform our Draft Decision.

We consider the proposed approach is consistent with stakeholder submissions that highlighted the requirement for further information and evidence, particularly on the conversion aspect of APA's proposal.

Submissions also highlighted divergent views on key aspects of the Basslink regulatory proposal, including:

- whether conversion of Basslink to a regulated TNSP, as opposed to operation as a MNSP, is in the long term interests of consumers
- revenue allocation and the proposed market size approach, apportioning 90% to Victoria and 10% to Tasmania
- approaches to setting the Regulatory Asset Base (RAB).

Given divergent views on key aspects of the Basslink proposal, we consider interested stakeholders would benefit from understanding our preliminary views in a Position Paper. Stakeholder submissions in response to our preliminary position will be critical in informing our Draft Decision and a key step to ensure stakeholder preferences are reflected in our decision.

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<sup>5</sup> Submissions highlighting the value of further analysis, including the importance of substantiating benefits of regulation:

- TasNetworks, *Submission on Basslink Issues Paper*, February 2024. Available at [Basslink – Determination 2025-30: Submissions](#)
- Aurora Energy, *Submission on Basslink Issues Paper*, February 2024. Available at [Basslink – Determination 2025-30: Submissions](#)
- Tasmanian Government, *Submission on Basslink Issues Paper*, February 2024. Available at [Basslink – Determination 2025-30: Submissions](#)
- Tasmanian Minerals, Manufacturing & Energy Council, *Submission on Basslink Issues Paper*, February 2024. Available at [Basslink – Determination 2025-30: Submissions](#)
- Victorian Government, *Submission on Basslink Issues Paper*, February 2024. Available at [Basslink – Determination 2025-30: Submissions](#)

## 3.2 Summary of amendments

In order to accommodate the Position Paper and additional consultation, we are proposing amendments to the key milestones established in the Basslink Commencement and Process Paper. The revised timeline will also support inclusion of independent modelling in the Position Paper.

Table 1 below sets out the proposed revised timeline, including the addition of a Position Paper, Public Forum and revised dates for the Draft Decision and Final Decision.

**Table 1: Basslink – Current and Proposed timelines**

Process step	Current timing	Proposed timing
<b>AER Position Paper</b>	Not included in process	19 July 2024
<b>AER Position Paper Public Forum</b>	Not included in process	24 July 2024
<b>Position Paper submissions close</b>	Not included in process	16 August 2024
<b>AER Draft Decision</b>	14 June 2024	18 October 2024
<b>APA submit revised regulatory proposal</b>	16 August 2024	20 December 2024
<b>AER final decision</b>	15 December 2024	28 February 2025

Note timings are indicative and may be subject to change.



# Glossary

Term	Definition
AER	Australian Energy Regulator
NEL	National Electricity Law
MNSP	Market network service provider
NEO	National Energy Objective
NER	National Electricity Rules
TNSP	Transmission network service provider

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