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Dear Sir or Madam,

RE: Basslink Conversion Application Consultation Paper August 2024

The Tasmanian Minerals, Manufacturing and Energy Council (TMEC) welcomes the opportunity to provide this submission relating to the consultation paper released August 2024 in relation to the Basslink conversion application. TMEC would like to firstly acknowledge the engagement APA Basslink has conducted over the recent period in preparation for this proposal. Noting TMEC had a representative on the Basslink Regulatory Reference Group (RRG).

TMEC has focused this submission on matters that are pertinent to its membership base and what it believes is in the best interest of all consumers. As such, points made in our previous submission will only be reinforced where deemed necessary.

About TMEC

TMEC's membership base represents an important wealth creating sector within the Tasmanian economy. The combined minerals and manufacturing sector employs 18,484 people and contributed \$2.795B in exports in the 22/23 FY. Most of our members are based in regional areas of Tasmania and therefore provide critical employment opportunities away from public funded employers.

The sector TMEC's members account for consume more than 60 percent of the state's electricity generation and has capacity to offer system protection capabilities.

Comments on Consultation Paper

Q.1 What are your views on the types of potential costs and benefits that conversion may provide?

The modelling included in the paper identifies a high certainty for the additional costs of Basslink becoming a Regulated Asset and much less certainty around the benefits.

While TMEC assumes APA's decision to purchase Basslink and convert it into a Regulated Asset would be based on the most attractive revenue scenario for APA, the consumer ultimately provides the revenue.

Therefore, the consumer is not better off. The ACIL Allen report makes a very clear case around the cost increases and dances around making any statement about certainty with the benefits side of the equation.

As the report has not made any definitive statement supporting improved benefits to consumers, TMEC continues to question whether a case to change has been made?

Q2. If the range of outcomes across scenarios remains wide or subject to significant uncertainty, would you support a decision to convert or a decision not to convert? What is the rationale for this position?

It is difficult to understand how a case for change can be made from the current situation (MNSP - where costs and benefits are well understood) given the future state modelling shows high levels of uncertainty for benefits. Is this not the fundamental test – will consumers be worse off that is the case today? – even if it is possible, it is worse than the current situation?

TMEC would be supportive of the change if it can be shown customers, including direct connected customers are not worse off.

What remains unclear is the true cost impact on transmission charges to direct connected customers. What is difficult to grasp, is that Basslink will be the same asset providing the same service. The modelling should include this to permit a more comprehensive assessment.

How can the AER decide to regulate relating to consumer benefits, if inter-regional settlement residues (IRSR) are not modelled and the AER states that the cost impact is “Highly uncertain, but they could be significant”. This is not good for consumer confidence in the modelling process.

As ACIL Allen modelling suggests, “any market cost reductions is likely to be small”. Does this outweigh the increase in transmission charges to all consumers, in particular the direct connected customers?

Also, with regards to wholesale pricing, ACIL Allen also concludes that “expectations for consumers to face lower wholesale prices as a result of conversion is highly uncertain”.

Noting that proceeds from settlement residue auctions will be used to offset regulated transmission charges, yet this has not been modelled to demonstrate effect.

Q3. What degree of significance should we place on outcomes from market modelling when considering possible benefits of conversion? What other inputs should feature in our decision making?

Regarding market modelling, it is assumed to be operating as a fully available interconnector and AEMO will dispatch without constraint. How can this be assumed when no contracts are in place for the Special Protection Scheme (SPS) interruptability load tripping. In fact, this service is not even mentioned as a cause for the link being constrained. This raises a very important concern. How can charges to consumers be determined, without SPS services in place which will need to be paid for by someone?

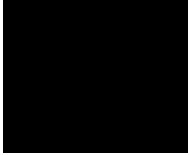
In closing TMEC reiterates as in its previous submission that under regulation, consumers need to be not worse off than how the link is currently operated as an MNSP. The ACIL Allen report is unable to identify any certainty of benefits flowing to consumers. It is still unclear what the future price of transmission will be to direct connected customers.

Based on the evidence presented so far together with further improvements made to ensure customers, including direct connected customers are no worse off, TMEC provides conditional support. If future iterations do not show customers, including direct connected customers, being better off, TMEC would need to review its position.

TMEC appreciates the opportunity to provide comment in relation to the conversion and revenue proposal for Basslink.

Please do not hesitate to contact me should you require further clarification.

Yours sincerely,



Ray Mostogl
Chief Executive Officer