

15 November 2024

Australian Energy Regulator

GPO Box 3131
Canberra ACT 2601

By email: contingentprojects@aer.gov.au

RE: TasFarmers' Submission – TasNetworks North West Transmission Developments Stage 1 Early Works Contingent Project

TasFarmers is the peak representative body for agriculture in Tasmania and is dedicated to advocating for Tasmanian farmers across a range of commodities including meat, wool, dairy, vegetables, grains, forestry and horticulture. Agriculture is the key pillar of Tasmania's economy, and we are committed to ensuring the sector remains profitable and sustainable.

The North West Transmission Developments (NWTD) will see TasNetworks undertake a major upgrade of Tasmania's electricity transmission as a part of Project Marinus. While we understand the significance of such an infrastructure project, we believe that Tasmanians should not be the only customers to face increased charges to fund the early works stage of this project.

TasFarmers appreciate the opportunity to provide a submission on TasNetworks' contingent project application for stage 1 of the NWTD.

Impact on Tasmanian Customers

As presented, the proposal to recover \$31.83 million in revenue over the 2024-29 regulatory period to deliver the early works for the NWTD will impact all Tasmanian customers¹. This would be a direct impact on customers well in advance of any associated future reduction in energy prices resulting from the NWTD and broader Project Marinus. While we recognise that this project application relates to the Tasmanian on-land proportion of the NWTD that TasNetworks is responsible for, we feel the benefit to other states from these upgrades is not clearly defined or appropriately reflected.

Based on the forecast revenue adjustment, the stage 1 early works will see an annual increase for both typical residential and small business network charges of approximately 0.4% for the final 4 years of the 2024-29 regulatory period². This associated increase in costs would be borne in full by Tasmanian customers which is unjust given that most of the Net Consumer Benefit (NCB) from Project Marinus will be received by mainland customers. Given this benefit predicted for National Electricity Market (NEM) regions in other states we would support the increased costs being transferred more appropriately across the national grid.

In 2023 FTI Consulting were engaged by Marinus Link to deliver a report examining the impact of Project Marinus across the entire NEM. There were several findings in this report which

¹ Reference: <https://www.aer.gov.au/system/files/2024-10/TasNetworks%20%E2%80%93%20NWTD%20Stage%201%20%E2%80%93%20Early%20Works%20CPA%20%E2%80%93%20October%202024.pdf>

² Reference: <https://www.aer.gov.au/system/files/2024-10/TasNetworks%20%E2%80%93%20NWTD%20Stage%201%20%E2%80%93%20Early%20Works%20CPA%20%E2%80%93%20October%202024.pdf>

demonstrated the benefit Project Marinus will have across the entire NEM including that Project Marinus is expected to materially reduce wholesale prices in all NEM regions. Considering these broader benefits, we would like to see the increased costs associated with the early works activities delivered more evenly across the NEM. This report recognised that a pricing method where all customers contribute to Project Marinus would be fair and efficient and that such a pricing approach would see each NEM region pay an amount approximately equal to the share of benefits the customers will receive in that region. TasFarmers would support such an approach being applied to the cost of early work activities.

Tasmania and Victoria are predicted to receive only 34% of the combined wholesale energy market benefit suggesting that over half of the combined wholesale energy market benefit will be received by other states³. The increased costs associated with this contingent project application should be spread more evenly across the NEM regions that will benefit from Project Marinus.

The role of NWT D in a national response to climate change

The level of support to Project Marinus provided by the Federal Government through the rewiring the nation initiative and clean energy finance corporation is indicative of the project's role in the national response to climate change. Project Marinus remains a critical aspect of the Federal Government's transition to renewable energy. Across Australia, a large focus in the transition to renewable energy infrastructure needs to be meeting the future electricity needs of customers at the lowest cost to the consumer.

The NWT D is of strategic importance to the overall Project Marinus and as a result the benefits are broader than just to Tasmania. The NWT D will also unlock Tasmania's current electricity stores, including hydropower, for use across the NEM. The broader benefit of the NWT D and Project Marinus to the national response to climate change should not be underestimated when considering the implications of cost recovery on Tasmanian customers.

Landholder engagement and land access

There remains concern within the group of landholders affected by the NWT D around the lack of clarity from TasNetworks regarding the Strategic Benefit Payment (SBP). TasFarmers believe that until there is clarity provided around how the strategic benefit of the project will be shared with landholders hosting the transmission assets through the form of a SBP this application should be rejected as the NWT D does not currently have the social licence to proceed.

The project application states that TasNetworks have currently secured access to 86% of land parcels affected by the project⁴. Considering this it is unclear if there will be further costs associated with securing survey access to the remaining land parcels and how this potential additional cost has been accounted for in the contingent project application. Securing land access to properties located within the project route is critical to enable the proposed early works to progress. TasFarmers fear a failure to appropriately negotiate access to the required properties may result in delays or increased costs for the early works activities that will be borne by Tasmanian customers. TasFarmers believe that confirming an agreed SBP will assist TasNetworks greatly in gaining survey access to the remaining properties and progressing their program of early works.

³ Reference: <https://www.tasnetworks.com.au/config/getattachment/6a564026-bf45-4b4e-91e5-70b754a3c070/Wholesale-Pricing-Report-How-do-customers-benefit-from-Project-Marinus.pdf>

⁴ Reference: <https://www.tasnetworks.com.au/config/getattachment/6a564026-bf45-4b4e-91e5-70b754a3c070/Wholesale-Pricing-Report-How-do-customers-benefit-from-Project-Marinus.pdf>

Conclusion

TasFarmers recognise the strategic importance of the NWTD to both Project Marinus and the broader electricity grid however we believe Tasmanian customers should not be the only ones facing increased charges to recover the costs of early work activities. We believe a more equitable spread of the increased charges across all NEM regions that will benefit from Project Marinus and in turn the NWTD is needed.

We welcome further consultation on this matter. Please contact TasFarmers if you require further information.

Yours sincerely,

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Nathan Calman
Chief Executive Officer