

9 June 2023

Gillian Gout
Director, Strategic Policy and Energy Systems Innovation
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

Dear Ms Gout

RE Review of options to address gaps in transmission ring-fencing framework

TasNetworks welcomes the opportunity to make a submission to the Australian Energy Regulator (**AER**) regarding consultation on 'Options to address gaps in transmission ring-fencing framework'.

As both the Transmission Network Service Provider (**TNSP**) and Distribution Network Service Provider in Tasmania, TasNetworks has operated under ring-fencing arrangements and supports the intent behind them. When appropriately applied, ring-fencing can benefit customers by ensuring the proper allocation of costs and the promotion of competition in the provision of electricity services.

TasNetworks supports the Energy Networks Australia submission and would like to make several further comments reflecting a Tasmanian perspective.

Tasmania is experiencing a surge in transmission network connection enquiries. The legislated Tasmanian Renewable Energy Target to reach 200 per cent of the state's current electricity needs by 2040 means this level of interest in connecting to the network will remain. The needs of connecting proponents and the long-term interests of Tasmanian electricity customers are best met by completing the significant number of new connections in a timely and efficient manner. TasNetworks considers this is best achieved by the regulatory framework providing as much optionality as possible. Removing the option of choosing the most experienced provider of connections, namely the local TNSP, and instead making the connection process more complex by requiring multiple parties to be involved, thereby pushing up transaction costs is not in customers' best interests.

There is insufficient evidence to indicate that the options proposed in the AER's Consultation Paper is more preferable than the current arrangements. Chapter 5 of the National Electricity

Rules (NER) provides sufficient safeguards to ensure connection applicants can make the most of their own capability to arrange connection works or use the expertise provided by TNSPs. This has been demonstrated in Tasmania, where parties have managed the contestable aspects of the connection process themselves and only engaged with TasNetworks to complete the required non-contestable aspects. There are also situations where connection applicants have made the informed choice to use TasNetworks to perform the contestable connection services. In both cases, the connection applicants are aware of their options, provided for in the NER, with regards to choice of providers and choose what the most efficient connection process is given their specific needs and expectations.

The planning, construction and ongoing maintenance of transmission lines is a technically specialised and complex activity. It is therefore unsurprising, that despite the recent increase in transmission connection applications, there has not been a significant increase in competition in the provision of transmission line construction services. Any changes that make it more difficult for TNSPs to act in this market will reduce competition rather than strengthen it. This is not in customer's interests.

Instead, customer's best interests are served by ensuring connections are built in a timely and efficient manner and reducing duplication. While competitive pressures can help drive down costs, if the market design is too complex (for example by requiring multiple parties to be involved in design and construction) there will be increased transaction costs, additional time to coordinate the technical aspects of the connection process and extra parties each requiring their own margin; all leading to greater potential for delays. TNSPs have the knowledge and expertise to ensure connections are completed in a safe, technically compliant and efficient way. They have been doing this for decades. This experience should be treated as a benefit for customers rather than a threat to competition that needs to be removed.

TasNetworks suggests the AER properly considers the potential implications to connecting parties and electricity consumers before recommending changes to the transmission ring-fencing rules. Removing one of the most experienced parties from the market will not necessarily lead to a better outcome for customers. Instead maintaining the optionality for customers to choose a service provider based on its specific needs is the best way to deliver the energy transition required in the most timely and efficient way possible.

Should you have any questions, please contact Tim Astley, Technical Regulation Specialist, via email ([REDACTED]) or by phone on [REDACTED]

Yours sincerely

[REDACTED]

Chantal Hopwood

Head of Regulation