

## TasNetworks' Revenue Reset Advisory Committee (RAC)

Response to AER Issues Paper issued 28 March 2023 and to TasNetworks' Combined Proposal 2024-2029 submitted on 31 January 2023.

### Introduction

The Reset Advisory Committee (RAC) is TasNetworks' peak advisory group, comprised of six members who provide in-depth expertise and input into TasNetworks' [Regulatory Proposals](#) for the 2024-29 regulatory period (1 July 2024 to 30 June 2029). The RAC plays a role in shaping TasNetworks' plans by complementing the engagement program for TasNetworks' Revenue Proposals to the Australian Energy Regulator (AER) for the 2024-29 regulatory period (R24). The RAC has met around every six weeks since October 2021 and engaged on topics of interest in more depth and detail than other forms of consultation. More information about the RAC and its role can be found at: [Reset Advisory Committee \(RAC\) | Talk With TasNetworks](#).

The RAC welcomes the opportunity to provide its response to the AER Issues Paper and also provide comment on TasNetworks Proposal.

The RAC notes and supports the comments in the AER's Introduction that:

*The Australian Energy Regulator (AER) exists to ensure energy consumers are better off, now and in the future. Consumers are at the heart of our work, and we focus on ensuring a secure, reliable, and affordable energy future for Australia.*

*The AER's goal is to make decisions that ensure consumers pay no more than necessary for safe and reliable energy.*

The RAC also notes the AER's comment that:

*TasNetworks has submitted joint regulatory proposals for its transmission and distribution networks.*

*However, over the 2024–29 period, there are several additional factors that may affect the total revenue that TasNetworks will recover from its consumers, including:*

- *contingent projects that have been put forward by TasNetworks as part of its 2024–29 proposal that may trigger*
- *projects defined by the Australian Energy Market Operator (AEMO) as necessary to the Integrated System Plan (ISP) or Rewiring the Nation such as Marinus Link*
- *Renewable Energy Zone (REZ) projects under the Hydrogen Hub outlined by the Tasmanian government.*
- *cost pass through events defined in the National Electricity Rules (NER or Rules) and our decision.*

The RAC's response will include comment on both the joint regulatory proposal as well as additional factors highlighted by the AER.

The RAC's response will not repeat comments already made in its Engagement Process Report dated 20 January 2023, prior to the RAC having seen TasNetworks Combined Proposal. In that report, the RAC asked the question "Did the RAC make a difference?"

Having now seen TasNetworks' Proposal, as well as the AER's Issues Paper, the RAC makes the following comments;

- The RAC considers that its engagement has made TasNetworks' Subject Matter Experts (SMEs) feel uneasy about presenting their topics as this is not the normal approach. It has challenged them internally to ensure they can demonstrate to the RAC that any proposal has taken into account the best cost solution, given all potential alternatives and any risks to the consumer.
- The RAC notes TasNetworks' claim that it has "consulted extensively with the RAC" (comment made by CEO Sean McGoldrick at our November 2022 meeting), however there is little evidence in its submission that the RAC has actually made a difference, and what changes TasNetworks has made as a consequence of that consultation. The RAC considers that it would be useful for TasNetworks to be more explicit about how consultation with the RAC has shaped its final submission, and importantly why some suggestions from the RAC (eg the Zeehan and Waddamana upgrade projects) have not been accepted.
- The RAC considers that issues around pricing need to be much more transparent. This includes how prices are determined, how costs are allocated and to what degree cross subsidies still exist and how they are being managed.
- The RAC notes that 2018 Rates of return were required to be used by TasNetworks for its Proposal but that the final decision will be based on the 2022 rates of return published in February 2023. The RAC is concerned about the impact of the 2022 rates of return.
- The RAC notes with concern that the extent and potential consequences of the "several additional factors' noted by the AER (contingent, ISP, Marinus, NW Transmission Development, and REZ projects plus pass throughs) are extraordinarily large, compared to what might be normally expected in a revenue proposal. The RAC considers that TasNetworks is not being open and transparent about the potential consequences of these additional factors.
- The RAC notes that the AER has published information (Section 4.2.1.2, Figure 12 and Table 2) in its issues paper re costs and pricing impacts of the seven contingent projects. The RAC has been requesting this information, without success, from TasNetworks for many months. The RAC considers that TasNetworks should have included this information in its Proposal, along with similar information relating to the other additional factors.
- Table 2 in the AER Issues Paper indicates that the additional bill impact will be \$16.68 for residential customers and \$41.81 for small businesses in 2028/29, with a similar impact in

2033/34. By comparison, Figure 12 (additional revenue impact), indicates that the revenue impact in 2028/29 is ~\$32M, and ~\$56M in 2033/34.

- Is it reasonable that the bill impact in 2028/29 and 2033/34 is nearly the same given the revenue impact is nearly double?
- is the total indicative revenue impact up to 2033/34 reasonable?: It totals ~\$350M yet the total indicative cost of the seven contingent projects included in the Combined Proposal, Attachment 7, is \$904M.

Given the long timeframe for some of these projects it would be good to see some indicative bill impacts for R29 as well as R24.

- At its most recent meeting with TasNetworks, the RAC was advised that some elements of the NWTB may be required to support renewable generation, even if Marinus does not proceed. Are there any other contingent projects that have joint drivers? The RAC highlights this as a risk to price increases for consumers that is not shown in any R24 contingent projects. Also noting that as it will be for generation to get to market and without increased the load, existing consumers will pay.
- The RAC considers that TasNetworks' submission should have a strong section which goes beyond contingent projects and starts to set the counterfactual for TasNetworks for R24 and beyond and how this may impact on consumer prices and how that will deliver both energy price and non-price benefits.

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12 May 2023