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Dr Kris Funston
General Manager
Australian Energy Regulator

By email: AERresets2024-29@aer.gov.au

Dear Kris

TasNetworks' 2024-29 Revised Regulatory Proposal

TasRex broadly supports TasNetworks'2024-29 Revised Regulatory Proposal and appreciates the opportunity to provide specific feedback in relation to contingent projects.

TasRex's vision is to be Tasmania's integrated renewable energy company, creating end-to-end value for all Tasmanians in the green energy supply chain, supporting local growth by participating in the international energy transition. Augmenting TasNetworks' shared transmission network will be an important enabler of TasRex's vision, and for achievement of state and national clean energy commitments.

TasNetworks plays an important role in meeting the Tasmanian Government's legislated Tasmanian Renewable Energy Target (TRET) to deliver 21,000 GWh of renewable generation per year by 2040. The targets have been set to ensure Tasmania continues to have a secure, sustainable and affordable energy system and avoid unacceptable climate impacts. They also contribute to Australia meeting its international climate commitments.

According to TasNetworks' Annual Planning Report 2023, to achieve the TRET, it requires up to 3,000 MW of new installed wind capacity. To support such large quantities of variable renewable generation being integrated into the Tasmanian electricity system, significant augmentation of the transmission network will be required.

Further planned network upgrades, including both stages of the North West Transmission Developments project, provide stronger energy infrastructure in Tasmania that will support efficient and timely new generation and a growing customer load base. This investment will support onshore and offshore renewable energy hubs, domestic growth, increasing local manufacturing and service industries and attract new global businesses.

Increasing levels of clean energy, together with Tasmania's sustainable timber resource and water, will enable growth in a range of clean industries supporting decarbonisation of the world's energy needs. Several international businesses are actively considering the value of Tasmania as a fully renewable state for onshoring manufacturing, along with other green hydrogen vector projects, such as green methanol and green ammonia. The short-listing of HIF's proposed e-fuels plant in North West Tasmania in the Commonwealth Government's Hydrogen Headstart scheme, the announcement of a proposed high voltage cable factory in northern Tasmania, and further government and state funding

for a Bell Bay hydrogen hub are examples of significant growth potential in clean energy based industries.

TasRex acknowledges that TasNetworks' Revised Regulatory Proposal aims to find the balance between customer bills remaining affordable whilst supporting the energy transition. We believe both these goals would be supported by the inclusion of the six contingent projects with triggers to ensure customers only pay for augmentations that deliver benefits under credible future scenarios. This also provides investors with visibility of the prerequisites for transmission projects to progress.

TasRex also agrees with TasNetworks' statement that there should be multiple pathways to support new renewable generation projects beyond AEMO's Integrated System Plan.

The challenge TasRex observes is that confidence in transmission capacity is a pre-cursor to any large load or generation customer reaching an investment decision. Often the lead times for linear transmission investments that traverse large tracts of countryside, and that deliver benefits to multiple existing and future customers, are materially longer than those for generation and load investments. This is why the regulatory investment test and Integrated System Plan models use reasonable forecasts across a range of credible scenarios, rather than simply connection applications and agreements, to support timely planning and development of transmission augmentations.

TasRex believes there is an opportunity to include an allowance for the cost of early works into the AER revenue decision (if not already included). This would allow TasNetworks to progress project development activities, including environmental, cultural heritage and land use planning assessments, engineering design, community and landowner engagement, and construction cost estimating, to a stage where a project is "shovel ready" so that connection applications can be prepared and new generation and load projects can reasonably be committed. Without this sort of framework, it may not be possible to satisfy the proposed contingent project criteria associated with "commitments" for new load and generation projects.

For example, AEMO classifies projects as "anticipated" once they have "sufficiently progressed" towards meeting at least three of five commitment criteria. A similar approach could be taken by TasNetworks and the AER to avoid a misalignment in transmission, load and generation timing that may prevent developments from progressing despite being in the long-term interests of consumers.

We would be happy to work with TasNetworks and the AER to provide input about how proponents' ability to meet project commitment criteria is likely to be impacted by the timing and certainty of TasNetworks' contingent projects, and how this could be overcome in the revenue decision framework.

Yours sincerely

Bess Clark

Chief Executive Officer