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Dear Dr Funston,

**Re: Basslink Consultation Paper – Commencement and Process Amendment**

The Tasmanian Minerals, Manufacturing and Energy Council (TMEC) welcomes the opportunity to provide this submission in relation to the decision to regulate Basslink from 1 July 2026. TMEC would like to firstly acknowledge the engagement APA Basslink has conducted over the recent period in preparation for this proposal, noting that TMEC had a representative on the Basslink Regulatory Reference Group (RRG). TMEC has made previous submissions on this subject and this submission will focus on what TMEC believes the AER should consider when making the revenue determination.

**About TMEC**

TMEC's membership base represents an important wealth creating sector within the Tasmanian economy. The combined minerals and manufacturing sectors employed 18,484 people in the 22/23 FY. Total exports for the sector for the 12 months to May 2025 was \$2.94 Billion. 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 in excess of 60% of the state's electricity generation and has capacity to offer system protection capabilities.

**Decision to Convert Made**

TMEC's position to not support Basslink becoming a Regulated Asset in prior submissions was based on the uncertainty in the business case that consumers, particularly major industrials, would not be financially penalised. In saying this, TMEC respects the decision the AER has made and the effort that has gone into its reversal of the original draft decision.

Regulated assets in the correct context of revenue recovered, and from whom, is a challenge TMEC is facing in this decision. As the AER makes its determination on the allowable revenue Basslink can recover from 1 July 2026 to 30 June 2030, it is requested to consider which segment of the consumer base will fund the additional revenue.

What has been lacking in the proposal and the decision is that there is no transparency regarding what the direct connected customers are expected to pay. Many of the direct connected customers are the large energy consumers in Tasmania, most of whom are TMEC members.

The AER Final Decision 2025 states the cost increases will not be material. Please identify what percentage increase is the threshold for being material or not? Hence it is still not clear how the market benefits test can be passed when the modelling and impacts are shown at a household consumer level only.

The proposal and decision are silent on the *Special Protection Services (SPS)* that, under a regulated asset, will also need to be procured and then on-charged to consumers.

TMEC is highlighting that Regulation as proposed will introduce increased costs to direct connected customers and, as this amount is not known, queries how this regulation can pass the market benefits test.

Referring to the AER Final Decision June 2025:

*“In considering whether conversion would support the NEO we have also considered consumer price impacts by having regard to the possible impact of conversion on transmission charges and wholesale market prices. **It is certain that conversion will impose additional regulated transmission charges on consumers.** However, the extent of these price effects are unlikely to have a material impact on the efficient investment in, operation and use of the electricity system. Over the long-term, Basslink’s costs, as reflected in transmission charges, may be recovered from market participants whether Basslink is converted or not. However, in most scenarios the conversion is modelled to provide some improvement to economic efficiency, and we expect this will result in a net benefit for consumers over the long-term. We also consider that conversion is unlikely to materially affect reliability or other non-price aspects of the quality of electricity services. **There does remain the potential for conversion to result in consumers paying a level of transmission charges that exceed the benefits they receive from services provided by the asset.** The consequences of such a risk falling on consumers has been closely considered in this decision. Ultimately, we have concluded that the asset will continue to have value and use, which reduces the potential for this outcome. This is supported by the modelling work.”*

The AER has acknowledged what TMEC has pointed out in previous submissions, and again in this submission, yet the actual impact to the direct connected consumer remains unknown.

The AER should consider the effects of these charges on the consumers who are likely to be most affected, and the possibility that some TMEC member businesses may view these costs as a factor affecting their ability to continue operations.

The AER Final Draft Decision June 2025 in relation to settlement residue auctions states:

*“Proceeds from settlement residue auctions would act to reduce the amount of transmission charges ultimately paid by consumers. The energy market modelling we commissioned from ACIL Allen estimates the value of inter-regional settlement residue auction proceeds could range from \$536 million to \$712 million. These auction proceeds could reduce the present value of Basslink’s transmission charges faced by consumers from \$1.341 billion to between \$629 million and \$805 million. We note, however, that the market size and concentration may not support proceeds from the settlement residue auctions being this high.”*

This does not give certainty that a reduction in transmission charges will occur and so raises concern as to how this has been factored into the market benefits test.

In closing TMEC and its members, representing 60% of the electricity consumed in Tasmania, accepts the decision of the AER, but would highlight the below considerations that should be taken into account in the revenue determination process moving forward.

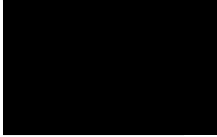
1. TMEC believes the RAB should be questioned. It should be benchmarked and the value justified, particularly given the proposed RAB is \$58M more than what was paid for Basslink, which arguably reflects a market based fair value.

2. TMEC is requesting the increased transmission prices to all consumers, including those that are direct connected customers, be published so the impact is known and considered in the revenue determination.
3. TMEC is requesting that the AER provide a specific response to how the *Special Protection System* financials will occur as a Regulated Asset, where the cost for consumers is borne and how that compares with its cost under the current MNSP?

TMEC appreciates the opportunity to provide in relation to the Basslink Consultation Paper – Commencement and Process Amendment.

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

Yours sincerely,



**Ray Mostogl**  
**Chief Executive Officer**