

12th December 2025



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Re: Basslink Transmission Determination 2026–2030 – Draft Decision

Dear Dr Funston,

The Tasmanian Minerals, Manufacturing and Energy Council (TMEC) welcomes the opportunity to provide this submission in response to the Australian Energy Regulator's (AER) Draft Decision on Basslink's Transmission Determination for the 2026–2030 regulatory period.

TMEC acknowledges the extensive consultation undertaken, including the engagement of APA Basslink with the Regulatory Reference Group (RRG), on which TMEC was represented.

However, TMEC must again raise a fundamental concern that remains unanswered from our previous submission of 10 July 2025: how can the AER authorise this determination when consumers – particularly Tasmanian businesses and major industrials – are materially worse off under regulation?

1. Context and Compounding Cost Impacts

- TMEC members consume over 60% of Tasmania's electricity and are directly connected customers. These businesses are highly exposed to transmission pricing decisions.
- TasNetworks has recently advised direct connected customers of potential increases of up to 19% per annum. When considered alongside the Basslink determination, these compound cost pressures on industry.
- The Draft Decision for Basslink introduces new regulated charges for services that Basslink has historically provided under its market network service model. These are new costs for the same service, without clear evidence of consumer benefit.

The combination of TasNetworks' 2024–29 Determination and Basslink's 2026–30 Determination risks materially worsening the position of Tasmanian industry, contrary to the AER's stated objective that "consumers pay no more than necessary for prudent and efficient investment in the network" (Draft Decision, Overview, September 2025).

2. Specific Concerns

Frequency Control Special Protection Scheme (FCSPS)

- Under regulation, the cost of procuring FCSPS services will be approved by the AER and passed through to all consumers.
- These costs are new and additional, yet the Draft Decision provides no clarity on their magnitude or allocation.

Settlement Residue Auctions (SRAs)

- While SRAs may provide offsetting benefits, the Draft Decision acknowledges uncertainty in their value and allocation.
- Without certainty, consumers cannot rely on SRAs to mitigate the new transmission charges.

Regulatory Asset Base (RAB)

- Basslink's proposed RAB of \$742 million for a single cable compares unfavourably to TasNetworks' \$1.78 billion RAB for the entire transmission network.
- TMEC questions whether this valuation meets the prudence and efficiency requirements under the NER.

3. Relevant Clauses of the National Electricity Rules

TMEC submits that the Draft Decision does not adequately address the following obligations under the NER:

- Clause 6A.6.7 (Operating expenditure criteria): requires that opex reasonably reflects the efficient costs of achieving the operating expenditure objectives.
- Clause 6A.6.8 (Capital expenditure criteria): requires that capex reasonably reflects the efficient costs of achieving the capital expenditure objectives.
- Clause 6A.2 (Revenue determinations): requires the AER to make determinations that promote the National Electricity Objective (NEO).
- National Electricity Objective (s.7, National Electricity Law): requires that decisions promote the efficient investment in, and operation and use of, electricity services for the long-term interests of consumers with respect to price, quality, safety, reliability and security of supply.
- Rate of Return Instrument (2022): requires that the allowed rate of return contributes to the achievement of the NEO, ensuring consumers pay no more than necessary.

While the AER has referenced these sources and methodologies in its Draft Decision, TMEC submits that the practical outcomes fail the test of consumer benefit. For example, a simple "sanity check" shows the outcome to be perverse: Basslink's RAB is approximately 41.6 percent of the entire Tasmanian transmission network, which entails 3,312 circuit-kilometres while Basslink is approximately 370 circuit kilometres (11.1 percent). The disproportionate RAB allocation to Basslink, combined with compounding cost increases from TasNetworks, demonstrates that consumers – particularly major industrials – are materially worse off.

4. The Unanswered Question

TMEC has repeatedly asked: how can the AER conclude that consumers are better off under regulation when direct connected customers face material increases in charges, compounded by TasNetworks' recent determination?

The Draft Decision acknowledges that conversion "will impose additional regulated transmission charges on consumers" but asserts these are "unlikely to have a material impact." TMEC requests the AER to define what threshold constitutes "material" and to demonstrate how this test is satisfied when industrial customers face increases of up to 19% per annum plus new Basslink charges.

5. Request for Clarification and Action

TMEC respectfully requests that the AER:

1. Publish detailed modelling of impacts on direct connected customers, not just household consumers.
2. Clarify the treatment of FCSPS costs under regulation, including allocation and magnitude.
3. Provide certainty on SRAs and how proceeds will be passed through to consumers.
4. Justify the Basslink RAB against benchmarks and prudency requirements, including a "sanity check" comparison with TasNetworks' RAB.
5. Explain how the Draft Decision satisfies the NEO when consumers – particularly major industrials – are materially worse off.

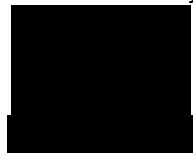
Conclusion

TMEC supports regulation in principle where it delivers transparency and consumer benefit. However, the Basslink Draft Decision, when considered alongside TasNetworks' recent determination, risks undermining the competitiveness of Tasmania's minerals, manufacturing and energy-intensive sectors.

We urge the AER to address these concerns in its Final Decision to ensure compliance with the National Electricity Rules and the National Electricity Objective, and to uphold its commitment that consumers pay no more than necessary for prudent and efficient investment.

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

Yours sincerely,



Ray Mostogl
Chief Executive Officer