



**Tasmanian Small
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Uniting Small Business

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Tasmanian Small Business Council Submission on APA Group's Revised Revenue Proposal for Basslink (2026–30)

The Tasmanian Small Business Council welcomes the opportunity to provide a submission on APA Group's revised revenue proposal for Basslink's 2026–30 regulatory control period.

The Council represents thousands of small businesses across Tasmania, operating in every sector of the economy and every corner of the State. Electricity costs are a material input for many of these businesses, and even modest increases in network charges can have a disproportionate impact on viability, competitiveness, and investment decisions.

From a small business perspective, two issues are of particular concern:

- the proposed methodology for allocating Basslink's revenue requirements between Tasmania and Victoria; and
- the treatment and allocation of system protection scheme costs required for Basslink's operation.

Revenue Allocation Between Tasmania and Victoria

The Tasmanian Small Business Council strongly supports the principle that electricity customers of a similar class should face broadly comparable costs for shared transmission assets, regardless of jurisdiction. Where this does not occur, smaller markets such as Tasmania inevitably bear a heavier per-customer burden. As previously articulated by the Tasmanian Government, the National Electricity Rules provide little practical guidance on how interregional revenue allocation should be determined for assets such as Basslink. In particular, clause 6A.29.1(b) does not offer a clear or decisive framework for choosing between methodologies. In the absence of clear rules, the Council believes the principle of equity must carry the greatest weight.

Tasmania's electricity market is significantly smaller than Victoria's. This structural reality means that allocation methods based on energy flows risk shifting a disproportionate share of costs onto Tasmanian customers — including small businesses — despite Basslink delivering system-wide benefits across both regions.

From the Council's perspective, the original **market size methodology** proposed by Basslink Pty Ltd (10% - 90%) remains the fairest and most defensible approach.

It reflects:

- the relative scale of the two markets;
- the long-standing shared benefits of the interconnector since its commissioning in 2006; and
- the outcomes of consultation with both Tasmanian and Victorian stakeholders.

This point of view is also informed by the complete immersion into the consultative process which was undertaken by APA as the TSBC is represented on the APA Regulatory Reference Group and was a participant and observer of all the consultations. These were addressed in a previous submission to the AER.

The revised proposal, which gives greater weight to an energy flow methodology and increases Tasmania's share of assessed annual revenue from 9 per cent to 25 per cent, is of serious concern to small businesses. Many already face higher operating costs due to geography, freight, labour shortages, and scale. A sharp increase in network-related electricity costs only compounds these challenges.

While it is noted that the Australian Energy Regulator has indicated that the choice of interregional allocation methodology sits outside its remit, the Council strongly agrees with the Tasmanian Government that equity considerations justify revisiting this approach. For an existing asset being transitioned to regulated status — and in the absence of explicit NER direction — fairness between customers should be paramount.

System Protection Scheme Costs

Basslink's system protection schemes have been integral to its safe and effective operation since 2006. From a small business customer perspective, the key issue is not the technical design of these schemes, but how their costs are recovered and allocated.

The Frequency Control System Protection Scheme (FCSPS), including the associated tripping services, is fundamental to enabling Basslink to operate at its intended capacity. These services are not optional add-ons; they are core to the functioning of the interconnector.

The Council supports the view that the costs of operating tripping services — both load tripping in Tasmania and generator tripping for northward flows — should be treated consistently with other core operating costs of Basslink.

In practical terms, this means:

- they should be treated as operating expenditure recovered through assessed maximum revenue allowances; or
- if recovered through a cost pass-through mechanism, they must be apportioned between Tasmania and Victoria using exactly the same interregional revenue allocation methodology as all other Basslink costs.

Any approach that results in a different or less favourable cost allocation for Tasmanian customers would be unacceptable. Small businesses do not distinguish between “types” of network costs — they simply see the final bill. Consistency and transparency in cost recovery is therefore essential.

Other Matters

The Tasmanian Small Business Council recognises the importance of Basslink’s reliability to the State’s economy and supports its conversion to regulated status for this reason.

In that context, the Council supports the revised revenue proposal’s provisions relating to:

- replacement of the control and protection scheme;
- provision of a spare subsea cable; and
- changes to arrangements for the marine repair vessel.

These investments support reliability and reduce the risk of prolonged outages, which can be highly disruptive and costly for small businesses. However, the Council agrees with the Tasmanian Government that costs incurred by Basslink in pursuing its transition to regulated status are a commercial decision of the asset owner. These costs should be borne by equity holders and should not be included in the regulated asset base or recovered from electricity customers.

Conclusion

The Tasmanian Small Business Council remains strongly supportive of Basslink becoming a fully regulated interconnector, consistent with other interconnectors in the National Electricity Market.

From a small business perspective, a regulated Basslink will:

- support open and transparent electricity flows between Tasmania and Victoria, contributing to system stability and risk management;
- provide a more stable and predictable cost structure than market-based arrangements;
- ensure capital and operating expenditure is subject to rigorous, transparent scrutiny;
- give electricity customers — including small businesses — a clearer voice in decisions that affect costs and reliability; and

- provide a fairer and more sustainable allocation of Basslink's costs, rather than placing an excessive burden on Tasmania's smaller customer base.

For Tasmania's small businesses, the central issue is simple: access to reliable electricity at prices that are fair, predictable, and proportionate. Decisions on Basslink's revenue allocation and cost recovery will materially influence that outcome, and equity between jurisdictions must remain front and centre.



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