

5 February 2021

Dr Liz Develin
Chief Executive Officer
GPO Box 520
Melbourne VIC 3001

Via TIRreview@aer.gov.au

Dear Dr Develin

RE Regulation of actionable Integrated System Plans projects

TasNetworks welcomes the opportunity to respond to consultation by the Australian Energy Regulator (**AER**) on draft guidance note on the Regulation of actionable Integrated System Plan (**ISP**) projects (**Guidance Note**).

TasNetworks is the Transmission Network Service Provider (**TNSP**), Distribution Network Service Provider and Jurisdictional Planner in Tasmania, and is also the proponent for Marinus Link, a proposed new interconnector between Tasmania and Victoria. The focus in all of these roles is to deliver safe, secure and reliable electricity network services to Tasmanian and other National Electricity Market (**NEM**) customers at the lowest sustainable prices. Therefore, TasNetworks supports AER's efforts through the Guidance Note to add transparency to the approach to be used for the regulatory assessment of actionable ISP projects.

TasNetworks has contributed to and supports Energy Networks Australia's (**ENA**) submission and would like to make several further comments.

TasNetworks commends the AER for adding clarity to expectations around stakeholder engagement, risk management practices, governance arrangements and procurement processes. When well executed, TasNetworks agrees that these are key elements to ensuring that costs passed through to electricity customers are efficient and prudent. Given the actionable ISP framework is new, continuing to improve the transparency of the AER's regulatory assessment process and criteria has the potential to add significant further value for process efficiency and end outcomes for electricity customers.

Present practices are in place for TasNetworks to adopt data and learnings from the initial actionable ISP projects as well as procurement and delivery of large projects in other infrastructure asset classes to inform expenditure forecasts for Marinus Link. However, this information is often confidential for commercial reasons, and therefore it may not be possible to share lessons fully. The Guidance Notes should reflect this limitation and maintain sufficient flexibility to accommodate considerations that are unique to each actionable ISP project. TasNetworks will continue to engage with industry to share learnings, including proactively sharing data, insights and knowledge with the Australian Energy Market Operator, as Victorian TNSP, both as part of the ISP Transmission Cost Database and more broadly.

In relation to stakeholder consultation, TasNetworks' position is that effective and meaningful engagement forms a vital part of the successful delivery of prudent and efficient network and non-network solutions. Proactive engagement with external stakeholders is embedded in our business practices, consistent with the AER's Consumer Engagement Guideline for Network Service Providers. TasNetworks therefore concurs with the views expressed in the draft Guidance Note that effective stakeholder engagement will promote consumer confidence in a project by enabling a two way dialogue regarding the project's costs, benefits and risks. TasNetworks further agrees with the AER that early engagement with stakeholders will improve the quality of a contingent project application (CPA), to the benefit of all parties.

Stakeholder engagement on large transmission projects commences well in advance of the RIT-T and ISP processes. For example, substantial stakeholder engagement in relation to Marinus Link has occurred since the project's formal commencement in 2017. TasNetworks recognises the value of considering the outcomes from stakeholder engagement to refine and develop practices over the life cycle of the project. In this context, TasNetworks would encourage the Guidance Notes to reflect the holistic continuum of the project's wider stakeholder engagement activities in setting expectations for stakeholder engagement relevant to the development of a CPA. For example, where it remains relevant it may be appropriate for a TNSP to rely on earlier engagement processes to provide support to a CPA.

However, it is TasNetworks' view that the stakeholder engagement outcomes need to be balanced against all other elements of the project, a process that is well captured through the net market benefit assessment. Demonstrating a measurable increase in consumer confidence, which appears to be the expectation in the Guidance Note, may not always be an efficient outcome. There may be instances where, for a variety of reasons, a best practice engagement process may be unable to demonstrate a measurable increase in consumer confidence. In such cases, TasNetworks would propose that a robust process should be considered sufficient.

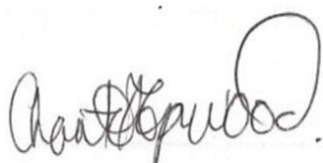
In relation to procurement processes, TasNetworks is concerned that the draft Guidance Note is overly prescriptive in relation the design of the tender processes. In particular, while it is appropriate to require a TNSP to demonstrate that it has explored different design options before arriving at the preferred solution, it is not necessarily the case that such innovation is always best achieved through a competitive tender process. For example, a best practice design choice may be identified through bi-lateral discussions with prospective suppliers, informed by engaging with technical experts and other transmission companies nationally and internationally that have experience with different technical solutions and procurement approaches (including consideration of the longer-term operation and management of the assets being procured).

TasNetworks' view is that the Guidance Note should set out the AER's requirement that each TNSP should demonstrate that its project procurement processes are prudent, efficient and fit for purpose. Mandating particular processes has the risk of stifling innovation and continuous learning. TasNetworks' concern is that the Guidance Note mandating a particular tender process, as is currently the case, could inadvertently inhibit innovation by precluding other approaches that may have delivered a better outcome for customers. TasNetworks' strong preference is that the AER should provide TNSPs with more flexibility as to how the objective of achieving efficient and prudent procurement processes and longer term operation and management approaches should be achieved.

Finally, TasNetworks considers the Guidance Note regarding the mechanics of the CPA staging process could be clarified by consistent referencing to the differentiation between "directly staging a project" and "staging the CPA process". TasNetworks' assumption regarding Marinus Link is that the cost 'cap' refers to the total cost of all CPAs associated with the particular stage under consideration, rather than the 'preferred option', which has a broader meaning. TasNetworks will continue to work with the AER as the project progresses to outline our understanding of this aspect of staging with respect to Marinus Link.

For more information or to discuss this submission, please contact TasNetworks' Policy and Regulation Specialist, Jenny Cosgrove, by email on Jenny.Cosgrove@tasnetworks.com.au or by phone on (03) 6271 6187.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Chantal Hopwood', with a large, stylized loop at the end.

Chantal Hopwood

Acting General Manager, Regulation Policy and Strategic Asset Management