PARLIAMENT OF TASMANIA

TRANSCRIPT

HOUSE OF ASSEMBLY

GOVERNMENT BUSINESSES SCRUTINY COMMITTEE

Hydro Tasmania

Tuesday 25 November 2025

MEMBERS

Ms Burnet (Chair)
Mr Rob Fairs (Deputy Chair)
Mr Vica Bayley
Ms Kristie Johnston
Mr Marcus Vermey
Mr Dean Winter

OTHER PARTICIPATING MEMBERS

Mr Craig Garland
Ms Janie Finlay
Mr Mark Shelton
Prof George Razay

WITNESSES IN ATTENDANCE

Hon. Nick Duigan MP, Minister for Business, Industry and Resources

Rachel Watson
CEO, Hydro Tasmania

Richard Bolt
Chair, Hydro Tasmania

Mr Peters

Hydro Tasmania

CHAIR - The scrutiny of Hydro Tasmania will now begin. I welcome the minister and staff of Hydro Tasmania and chair, along with the others at the table. The time for scrutiny is two-and-a-half hours; we're on the home straight. Members would be familiar with the practice of seeking additional information, which must be agreed to be taken by the minister or the chair of the board, and the question is handed in writing to the secretary, Scott Hennessy. I invite the minister to introduce any other persons at the table, including names and positions, and I also invite you, minister Duigan to make an opening statement.

Mr DUIGAN - Thank you, chair. With me at the table, can I introduce Mr Richard Bolt, chair of Hydro Tasmania; Ms Rachel Watson, the CEO of Hydro Tas; Mr Tim Peters, the CFO; and to my left is Amanda Lovell, my chief of staff. It's great to be here to round out energy business scrutiny with Hydro Tas, obviously a vital cog in the Tasmanian community's affordable renewable energy platform.

I would thank again, the board, the staff, the executive and all of the people who come together to make up Hydro Tasmania, a company of which Tasmanians are rightfully very proud, for all the work they have done over the course of the past year to manage what has been a difficult not only a year, but a but a series of years. The last two years are the driest on record. For a company whose business model is predicated on rainfall, that is a challenge. I'm very pleased to say that despite these challenges, Hydro Tasmania prudently managed storage levels within the energy security risk response framework over the entire period, and this demonstrates the very strong water management by Hydro Tasmania, in line with its requirements under the charter to deliver safe, secure and reliable power to Tasmanians, as it has done so for nearly a century.

Of course, we're looking toward the future and Hydro Tasmania continues to invest in its existing assets, investing $284 million into its capital works program across 2024-25 to modernise, maintain and upgrade existing infrastructure. Significant progress was made on major works at Poatina, Gordon, Murchison Dam and the Bass Strait islands. Additionally, work continues on major projects, with Tarraleah progressing to the gate 3 assessment involving a request for proposal to seek market-based costings. This, of course, gives government and Hydro the best information to determine whether the project stacks up and is in the best interests of Tasmania, as we progress through these gates towards FID.

In line with its updated charter, Hydro Tasmania continues to take action to support new generation in the state, and to provide the lowest possible power prices for Tasmanians. We've strengthened this requirement on Hydro through our 2025 election commitment, requiring it to partner with new variable renewable energy generators to bring on at least 500 megawatts of new generation in Tasmania by 2030. In line with this expectation, Hydro have finalised a market engagement approach that clearly sets out the principles and processes to explore contracting opportunities with the business. This seeks to identify suitable projects capable of entering commercial PPAs in a consistent and equitable approach. With all of that said, again, I thank Hydro for their work through a challenging year and invite the chair to make some opening remarks.

Mr BOLT - Thank you, minister and thanks Chair and committee. I appreciate the opportunity to be here, it's my way of expressing - to supplement what the minister has said - the year that we've had is that it was a year of substantial challenge but also good progress. The

progress included beginning the contract for wind and solar; recontracting with Liberty Bell Bay, it's had other travails, but we've managed to do that before they set in; refurbishing our assets, as the minister outlined; developing major projects as crucial options for the future; and generally acting in accordance with our charter, to position Hydro for a future of growth and firming, and to get the balance right between profitability on the one hand and at the same time stimulating the state in an economic sense, or helping to do so, and acquitting our social and environmental responsibilities.

What were the challenges? Again, to briefly reiterate, a second year of very low inflows, moderate prices in Victoria, and an adverse draft decision on Basslink which meant that we had to be more cautious than otherwise we would have been in the lead up to it going merchant for a year. We managed to reverse that decision, for which we're grateful to the AR, but it did mean that we have a year that we're in now that we had to prepare for last year that affected our results. It meant that prudent storage management was required, more conservative than normal, through high imports, some use of gas-fired power that was necessary to maintain minimum dam levels.

It meant moderate revenues and low profit but it was not a new normal. It was certainly a combination of circumstances and somewhat analogous to the last time that we had a significant profit dive, when there was both a substantial drought and outage of Basslink. It was very well managed by the organisation. A bad result doesn't mean bad management; it was very good management through a difficult period and for that I reiterate the minister's thanks to the board, which went through a significant transition, and the management did a sterling job. I particularly welcome and appreciate Rachel's accession to the role of CEO, and all of that was handled very smoothly by the organisation. My last point would be to look past 2024-25. I know that's the subject of this session, Chair, but just to say we will continue to adapt and prepare for a changing future.

We have more interconnection, fewer imports, variable inflows, additional hydro, wind and solar capacity. It's going to be a very different system. We have a different role in it, just as pivotal, but different. I should also say that this year, 2025-26, will also be a subdued year financially, and why is that so? It's because Basslink is constrained. It's really under what you would call a partial economic outage, which is the analogy to 2015-16 where there were both low inflows and an outage of Basslink. Here, we've had over a longer period low inflows and a partial economic outage of Basslink, and it means that, combined with a difficult start to this year, this will not be a stellar year financially; but again, it's a sign of the organisation adaptively moving through some difficult challenges and looking forward to better future. Thank you very much.

CHAIR - Thank you very much.

Ms FINLAY - Starting where you finished off then, through you, minister: in terms of the challenging years that you've had and a subdued year likely this year, what does your forecast indicate is possible or likely to happen this year, and what does the modelling say for three to five years ahead? Given there's a complex range of inputs and pressures, where is the organisation sitting now and into these sort of future immediate years, given three to five years is short-term.

Mr BOLT - The first thing to say is that every year we set ourselves a budget for financial results. And I presume, Ms Finlay, you're talking about this year's results specifically?

Ms FINLAY - Yes, your reference to subdued was this year?

Mr BOLT - Correct, that's right. When we do that, we have to choose a single number which necessarily has a wide range around it, and if you look at recent results, we've had a lot of very good years, but a significant amount of variability. I wouldn't want to hazard too precise a guess as to where the issue will finish up, because quite a lot could change between now and the end of June. As for specific figures that we're able to talk about in our corporate planning, I think I would defer to the CEO or to Tim.

Ms WATSON - I might start and then let Tim continue. Two of the factors that will really influence our result this year are: how much can we generate, which is very much driven by the amount of yield we have, so, the amount of water flowing into our catchments that we're then able to generate from, and how effectively are we able to trade over Basslink. We started July and August with two quite dry months and we didn't hit our generation targets for those two months. Fortunately, we've had high rainfall since then, sustained right through November which has been beneficial because having it over a longer period of time means we're going to get more in the catchments than if we had one massive rain event where you end up losing a lot of it.

In terms of our ability to generate, it looks like we've turned the corner for this year because we've now got really good water storage levels as I think Richard alluded to, but then on the back of that, being able to trade and, as Richard said, there's effectively a limitation on that trading now that there's a toll imposed on Basslink, which is just a situation we expect to be happening in this financial year. We expect that that will go to being regulated in the next financial year, which will mean it will flow freely and so that's also why we are forecasting, and from the outset, we budgeted to have a lower-than-normal performance in this financial year.

Mr PETERS - I think the 2025 financial year was marked by continued and compounding dry conditions. In particular, January to June 2025 recorded the lowest inflows for that time of year in Hydro Tasmania's full historical inflow. The 2025 financial year was the second consecutive year of below average rainfall, so combined 2024 financial year and 2025 are the lowest two-year totals that Hydro has recorded. Storages were under heightened monitoring, limiting generational flexibility, so they all combined for a 2025 financial year that was tough financially.

I think, leaning forward, we do have short-term, medium-term and longer-term models. The benefit that we have at the moment is that our storages are probably at a 10-year high and what that gives us is a little bit of flexibility moving into the future. We can choose to generate. Ideally, if there's good prices, we will export as well, so it gives us some optionality which is really important to us moving forward.

Ms FINLAY - I'm deeply aware that you're not going to give specifics, but in terms of a band of a result for this year, given that you have already called it subdued and particularly interested in the sort of the years ahead, there's modelling available to you, and I am sure you have very sophisticated and very many people working on this always, what are you hoping within a band the results could be comparatively, say to 2025 for this year, given all of those circumstances?

Mr DUIGAN - I think that's asking for a large degree of speculation and I don't think we're going to go down that road, with all due respect. On having a stab at what a result might look like, I think, as we said, we've got good water in storage -

Ms FINLAY - They would have a result though. They would be working towards a result, you would be working towards something that you have-

Mr DUIGAN - I think a description of 'likely subdued year,' given the nature of the year we are having, I think is probably as comfortable as we are likely to be. In terms of the short-term future post this financial year, correct me if I am wrong, but I think we would see every opportunity for Hydro to return to normal levels of profitability, assuming Basslink flows as we would expect it to flow should it be regulated, and inflows being within the normal -

Ms FINLAY - So, 2026 might be similar to 2025, but after that, you might return to pre-2024 levels; is that what the minister just said?

Mr DUIGAN - Look, that's what the minister just said, yes.

Mr BAYLEY - I think my question is to the chair. I was going to start somewhere else, but since we are talking about river flows and inflows and dry times, I want to ask a question around modelling going forward. This has been asked a fair bit, and I am unsure of where we have got to, but obviously the National Climate Risk Assessment has recently been released. Tasmania is up there, at the top of the list in terms of states with impacts.

In 2001, I think in relation to Basslink, there was a detailed river modelling survey undertaken and released publicly to underpin some of the projections going forward. Obviously, there's other users that rely on Hydro water post-generation, there's the environment, there's Tas Irrigation, there's TasWater, there's recreationists. Have you done that longer-term river flow modelling that sort of underpins the profit calculations that have then been used in Marinus and the like? Have you done that long-term river flow analysis and will you release it publicly?

Mr BOLT - I will defer to the CEO to answer that question in the detail, but just to be aware that because we do run a system that is clearly very climatically and weather dependent and because, as you have just outlined, we've got quite considerable responsibilities to all of those different stakeholder communities you mentioned, we do look forward, with as much fidelity as modelling allows you to at what kind of environment and what kind of river flows we might expect into the future and how that might affect our operations, including of course, those other responsibilities. The broad answer to your question is, we look at this very intensely and engage with the scientific community that can actually assist us with that. On the detail of that, let's go to Rachel.

Ms WATSON - Thank you, chair. Clearly, we work very closely with the experts in the field, the Bureau of Meteorology, CSRIO and University of Tasmania, to really understand those impacts on our business. We are experiencing greater variability in rainfall, but in terms of actual modelling and monitoring of the existing catchments - I think that's what your question was kind of going towards, is that right?

Mr BAYLEY - Look, my question is - and I think I read it in the annual report that we've had two dry years, but you expect it to return to normal. There are some major government

decisions that have been made, based on financial projections that I will come to later, that Hydro has made about its profitability going forward. That all comes back to water, all comes back to inflows. Yes, you can trade better with a Marinus scenario and so forth but, at the end of the day, you need the water there.

The question is really clearly - of course I know you to talk to different people about things and you model these - is there a piece of work that models river flow inflows for the next, let's say 10, 20, 40 years that underpin your profit calculations, that have then been used by other decision-makers, including the minister, to make some pretty profound decisions on behalf of Tasmanians? Is there that piece of work, as there was for Basslink?

Mr BOLT - That's looking at the long-term trends, or the medium- to long-term trends in inflows: yes, we do have a good look at that. I'm not sure that Rachel can point to a single study, but it is a constant dialogue and analysis that does it clearly. We also look backwards to say, 'What's the trend been to date?' It's been pretty modest in average inflows. The actual decline has been modest in average inflows, and what we're expecting in broad terms is more variability than actual decline. From year-to-year more change on the average, not so much.

Mr BAYLEY - I guess the nub of the question is - is there a report, a piece of data you've commissioned, something that you are relying on that you can table, that you can share with the committee, with the public, to allow us to scrutinise the basis of some of those assumptions and projections?

Mr DUIGAN - If I may, at this point, I think your question is saying that if we don't get average rainfall over the forward period, then the assumptions that we've made in the Marinus business case don't stack up. That's not the case. Marinus -

Mr BAYLEY - My question is not that hard, minister. The question is, is there a report, is there a body of work upon which you have based your projections going forward? If so, can you -

Mr DUIGAN - There is decades work that has been done -

Mr BAYLEY - Projections.

Mr DUIGAN - by Hydro. Hydro studies the climate probably more than anybody else; this is a business that is, as I have said, reliant almost entirely on the rain that falls from the sky. However, I think it's an important point that the Project Marinus piece allows Hydro to better manage its storages and better manage the level of variability that we are projected to see. I wanted to make that point, because that's important in terms of why government would make a decision that it's made. In terms of a single piece of work, I'm happy for the business to answer that.

Mr BAYLEY - You acknowledge there was one done for Basslink?

Ms WATSON - Yes.

Mr BAYLEY - Have you done something similar? I don't know whether it's the same terms in terms of projections, but have you done a similar piece of work that could be tabled and released publicly for a look?

Ms WATSON - Through the minister, if I may. The exercise that was done prior to Basslink was because the way we were going to operate the system when joining the National Electricity Market was going to fundamentally change. So, we did that study, and we realised there were two, I think - or three power stations - that could be most affected, so we changed the operating parameters for Gordon and Poatina. We even built a re-regulation pond for Poatina so that we could manage that difference in how the system would require the power stations to operate.

We're not joining a new system. This is a continuation with Marinus Link coming online of the same system. The modelling that was done for the whole-of-state business case assumed we would continue to operate inside those same operational parameters that were established when -

Mr BAYLEY - Can you release that modelling, I guess, is the question. You just said there was modelling done for the whole-of-state business case. Can you release it so we can have a look at the assumptions you've made in terms of river inflows?

Mr DUIGAN - Certainly, the whole-of-state business case is available.

Mr BAYLEY - That doesn't have modelling of river flows in it, minister.

Ms WATSON - My understanding is that the inputs in that modelling came from a variety of sources, several of them confidential. It was Treasury's model, as I understand it, so I'm not in a position to -

Mr BOLT - It's a body of work, I think as the minister indicated, that we're talking about here. Therefore, even if there was no confidentiality restriction - I'm not aware of what that situation is - it's not possible to say, 'Here's a single piece of modelling that answers all the questions you've just raised.' It's a body of work, and we're better off explaining that to you here to give you some sense of the overview, I think, in illuminating how we've gone about it.

Mr BAYLEY - You're explaining it in terms of a long-term piece of work. You talked to lots of different people, their input into your assumptions, but I guess that doesn't help a level of scrutiny and transparency around the business, and its assumptions going forward. We need to see them. With respect, we need to see them to see what assumptions you've made, compare them to someone else's climate modelling and rainfall projections and, I guess, make a case.

We have to remember that - we've heard already in the hearings this morning that Marinus and the North West Transmission Developments are going to increase transmission costs significantly for all customers in Tasmania. The only benefit, the only thing, that the minister can point to in terms of being able to offset that, is the super profits that Hydro is going to make.

Mr DUIGAN - That's not true. There is a number of benefits and a number of reasons why Tasmania would go down this path. The last two years have been very illuminating in that fact.

Mr BAYLEY - In terms of power prices, minister?

Mr DUIGAN - Basslink is halfway through its service life. Typically, we would see these projects taking 15 years from inception to commissioning. Basslink has been online for 20 years, shelf life of 40, so we need to be thinking about this now. If Tasmania didn't have Basslink over the course of the past two years, potentially that's a challenging circumstance for us all.

Energy security is important. Using Hydro Tasmania's very valuable deep storages more strategically is very important. As an economic driver in the state, Marinus will be incredibly important. There is a number of things. What you're looking at is one piece of a very large pie.

Mr BAYLEY - In terms of power bill - but in terms of -

CHAIR - Mr Bayley, we will move on. It's half an hour into this session and we've only got to the second questioner.

Prof RAZAY - Honourable minister, we're probably fortunate in Tasmania that we have one of the cleanest energy supplies and that requires a balancing act between the growth of inflow in wetter years and the risk of low inflow in the drier years. What investment do we have to cover those drier years regarding other sources of energy? Solar, wind?

Mr DUIGAN - Thank you, Prof Razay. I will allow the chair to have a go, but I think what we've seen in recent times is a change in the Hydro Tasmania charter, and that is government asking Hydro to be more involved in bringing on generation in Tasmania. I think we're at a point where we would all agree that we could use a little bit more. I don't like to see that Tamar Valley Power Station fire up. As useful as it has been in the last couple of years, I think we can do better than that. Hydro is in the market providing the opportunity to partner with wind and solar generators, and we've seen that and we will see more of that. In terms of, energy security and investment, Marinus does that - happy for Richard to have his thoughts aired.

Mr BOLT - To elaborate on the point, we really have three pillars to our strategy of meeting future demand. One of those is to make sure that our current asset base is readied for that task. So we're going through an extended period of what you might call 'midlife refurbishments' that would make that possible, and in some cases, give us some incremental increases in output. We are, as the minister said, and have just released a request for wind and solar developers to make us proposals to contract with them, strike power purchase agreements that will actually add, not only to the state's output capacity, but also the diversity of its supply sources. That is going to be good for securing supply in Tasmania - potentially adding to the attractiveness of Tasmania as a place to develop new industries - but also to make some decent margins from exporting what surpluses we have to the mainland over increased interconnection. And, by the way, the increased interconnection also gives us some capacity to offset any downturn in supplies here with more diversified supplies on the mainland.

Then, of course, we are developing two major projects. I should emphasise they're not at the point of any commitment by the board, certainly not by the government. But at the moment they are looking attractive, subject to further evaluation of their costs and their value. They would also add additional capacity, both storage and actual output.

To the point about Tamar Valley, we run Tamar Valley with regret, but there are times it is ultimately an option of last resort to keep the state's supply secure. The more we do

contracting with wind and solar, the more storage we can put in and the more we can get out of our current asset base, the less we will need to use that. That, indeed, is ultimately part of the strategy. In a sense, there are three main pillars to the strategy and one ultimate fall back.

I don't know if there's anything that we need to add to that reply. That's probably sufficient.

CHAIR - Before I move to Mr Garland, I am in receipt of the following correspondence from the Speaker:

> Dear Chair,
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> In accordance with provisions of the resolution appointing the Government Businesses Scrutiny Committee, paragraph (3), I hereby nominate Mr Mark Shelton MP as a substantive member of the committee and substitute for Mr Marcus Vermey for the remainder of the proceedings today.
>
> Mr Rob Fairs MP is now resuming his position as substantive member and Deputy Chair of the committee.
>
> The Honourable Jacquie Petrusma MP, Speaker.

Mr GARLAND - Hydro CEO, Rachel Watson, told ABC morning radio on 5 November that Marinus Link, if used really, really well, is going to be a big advantage for Hydro. Can you explain what 'really, really well' means?

Mr DUIGAN - Thank you, Mr Garland. Thank you, Rachel, I will allow you to - I notice our CEO has been paraphrased in a number of circumstances speaking on a number of things and I'm very pleased that she now has the opportunity to put some of those things in context.

Ms WATSON - Thank you for the question. At the moment, as we were just describing in relation to our operation this year and last year, the importance of trading over the link is key for Hydro's profitability, and so using Marinus 'really, really well' will mean having it flowing often.

At the moment, Basslink is not flowing nearly as much as it has in previous years. Prior to this year, it would only not be flowing 2 per cent of the time, but this year since 1 July, it has not been flowing 44 per cent of the time, so that is not a good use of Basslink.

Using Marinus's 'really, really well' will mean we're able to take advantage of low-price power in Victoria, which will typically come from high periods of solar generation in Victoria when they have a surplus and that drives the price down. It becomes very cheap or sometimes we're even paid to take that power into Tasmania. Then, at other times when there's an opportunity to sell our clean energy back over the link into Victoria when they need it, the prices will be higher and we will actually get good-priced revenue for that energy, which just makes the flexibility of the Hydro assets in Tasmania so much more valuable.

Using Marinus really well means using it for that trading advantage. It also means that when we do go through a dry patch - as we have the last couple of years - that we've got an opportunity to conserve our water, make sure we're managing our water storages very

prudently, and draw energy from another source to maintain energy security in Tasmania. Those two things are really important.

Mr GARLAND - You also told *Renew Economy* earlier this month when speaking about Marinus Link: 'forget making money off it, it'll be there to provide energy security'. This is not consistent with how Marinus Link has been framed in the whole-of-state business case. Can you explain your comments to *Renew Economy*?

Ms WATSON - That comment was made in the context of a conversation around the very dry conditions that we've had in Tasmania. I made the comment about profit being less important in those situations because Marinus can also then help us with our energy security. As I just explained, the second part of using Marinus really well also means it's there for energy security. Sometimes what's missed by some people in the Marinus debate is that that's an important part of the role Marinus will play: it will help us through these periods.

As Richard was just describing, we're expecting greater variability in our inflows. We expect there will be years when we're plentifully supplied with water, but we're also expecting there may be years as we've just experienced where we have less water, and for that, we will need to be careful with the water we have. Having that opportunity to back up through a larger link will be very important. Some days will trump the importance of making profit, not every day, not most days, but in those situations where energy security really comes to the fore, then that is the role that Marinus Link will play for us.

Mr SHELTON - Minister, Hydro was the largest water manager in Australia and operates 30 hydropower stations across Tasmania with many forming part of a complex cascading system. I pay tribute to those men and women of the 1930s, 1940s, 1950s, and 1960s who built the system. I particularly love the diagram. We talk about cascading systems, that has the diagram or map or whatever it is where you have the highest lakes and all the water cascading down through, marvellous. You take your hat off to those people who designed it back then and brought it to fruition.

With such an intricate system to manage in an increasingly complicated electricity system, what is the Hydro doing in order to make sure their operating systems continue to deliver safe and reliable power?

Mr DUIGAN - It's a good question. To think that those assets that were built so long ago, continue to serve us well now not only is Hydro Australia's largest water manager, it is Australia's largest generator of renewable energy. There is a great deal of work happening in the business to keep it all fit for purpose, as it were. Chair, perhaps one for you.

Mr BOLT - The CEO is very well placed to answer this question. Over to Rachel, please.

Ms WATSON - I'm thrilled that you remember that flow diagram because it's a key part of what I've been trying to learn in this role as well. It does represent what a complicated job it is in managing the water system. We manage over 13,500 gigalitres, which is more than 27 Sydney Harbours across 30 hydropower stations and 54 dams that requires some real sophistication in our tools. The majority of our power stations are operated remotely by a team of highly skilled generator controllers in Hobart. They work 24/7, 365 in close collaboration with our teams on the ground responding to minute-by-minute changes in demand, weather,

the market. So this whole operation is managed through our generation management system, which is kind of the brain of the system.

We recently completed a major $18 million upgrade of that generation management system that's been years in the making, but it replaced a system that was 25 years old. A push through into a more innovative technology, it allows us to be more responsive, which is crucial as we transition our role in the new energy future where we will play that role of filling gaps in wind and solar generation. We have now transitioned our power stations to the new generation management system. That's part of our 10-year $1.6 billion program of capital works that we're embarking on at the moment to modernise our network and takes us into a new era for greater efficiency, scalability and capability across our network.

Ms FINLAY - Since the new Ministerial Charter in your introduction, I noted that you used the word 'generally', that you're 'generally' aligned with the direction of the charter. I'm interested in where you're not aligned. I'm interested in some concrete examples of what you have done to change the operations of Hydro to more closely align to the new direction, which is about that economic stimulus locally.

Mr DUIGAN - I can say things about it. What I would say is, I have found Hydro - since that change in the charter - I have been so pleased with the level of engagement and change that we've had and the way the business has responded. With that said, I pass to Richard.

Ms FINLAY - You get the benefit of those conversations that this is the benefit that we get. I would love to also feel that way and through concrete examples would be great.

Mr BOLT - We take very seriously the fact that Hydro underpins so much of the state's economic activity. You're on the record making that point and we certainly agree with it.

As far as the concrete examples you're seeking go, in the financial year we're looking at here, we contracted for the first time in some time, in fact the first time ever, with a solar farm, Northern Midland Solar Farm. On the supply side of this portfolio, of supply and demand that we're at the heart of, that was a significant step, and very consistent with the charter, and the first concrete example as you are seeking of how that charter was given expression.

Up until then, it was not as though Hydro was necessarily not wanting to do those things. It was somewhat constrained in its own thinking by the strictures of competition law or the possible strictures. We've worked through all those things. The government's made its intentions for us very clear. As a result, we've done something which I think is to the benefit of the state and is definitely, if you like, a new frontier. Now, out of this financial year, that's been supplemented by the tender I just referred to earlier that has been released for additional capacity, and a framework which explains how we're going to go about this, not forcing wind and solar developers to contract through us, but it is an option they have that ought to be to the benefit of the state's economy and, of course, to jobs.

When it comes to the demand side, again, very specifically, we've been contracting with major industries for a long time, as you're well aware. Some of those contracts have come due and we have interpreted the charter to say that, while we have to act commercially, we're not in a position, under the charter or indeed our more general legal frameworks we operate in, to simply offer loss-making contracts to the major industries. We price with reference to the fact that on the one hand we do need to meet government's expectations of our commercial

performance. On the other hand, we have to have an eye to the fact that there are jobs at stake in the pricing that we offer to major industries, particularly those that exist now, but also future ones that could be beneficial to the state. I use the word 'generally' that you quoted before. I'm not thinking of any example where we haven't done that. That was just a little florid speech.

Ms FINLAY - It was interesting to hear that, so I had to ask the question. The Northern Midland Solar Farm is an example - or the example on that side of the equation?

Mr BOLT - Yes.

Ms FINLAY - Seeking concrete examples, your work towards your 200 per cent TRET, how are you advancing towards that? I note this tender that has just opened and it's for 'an' engagement. How limited are you to those engagements? How much do you rely on these to be successful to meet those targets? How advanced are you towards those percentages?

Mr DUIGAN - I point to the 2025 election commitment, which would ask Hydro to contract for 500 megawatts, a further 500 megawatts over and above Northern Midland Solar, so we're getting towards some fairly substantial numbers there.

In terms of delivering interim TRET targets, that will be a really important part of the puzzle. There are other mechanisms which do exist in the market, most notably the Commonwealth's Capacity Investment Scheme, which we have pleasingly seen one Tasmanian project be selected for, so that's positive. We continue to bang that drum with our federal colleagues and ask, thank you for the program but we need projects in it to get up. Certainly, Hydro being more active in that space has had a fairly profound effect on a lot of those proponents, the bankability of their projects, and their attractiveness to the CIS program. Of course, there is ongoing work about what the next iteration of that might look like. I'm pretty comfortable we've got a very good pipeline of projects that are -

Ms FINLAY - So, you feel like you will meet that mid-target?

Mr DUIGAN - I think it will be tight, but we've a good pipeline of good projects. I think how quickly the next Commonwealth iteration can be deliverable will probably impact that 2030 target. Again, it's Hydro that's been the catalyst for getting this moving.

Ms FINLAY - Given the scale of the Northern Midlands project, and you mentioned that your election committment was about 500, and as I understand it, this announcement was for a project that could be up to 1500 gigawatt hours is that right? Or 1.5 - I'm going this way. Would it be possible within the envelope you've been granted to support more than one project?

Ms WATSON - I'm not sure about the 1500 number you're referring to. Is it gigawatt hours?

Ms FINLAY - Maybe I can ask a clarifying question. Is there an upper limit of a project that you're willing to engage with on this? Are you limited by the scale that you can enter into?

Ms WATSON - We know the size of the projects that are already in the pipeline. I think the 1500 number you might have mentioned is gigawatt hours.

Ms FINLAY - Yes, sorry.

Ms WATSON - Not megawatts of capacity. I don't think there is a project that's going to be in the near-term pipeline that we would be looking at that would be of that scale. The intent is that we can try to find a project that will deliver us 300 megawatts.

If I might add to your answer as well, minister, we also have our own new major project that we would like to bring forward: refurbishing Tarraleah and increasing its megawatt capacity.

Ms FINLAY - Out of interest, at scrutiny last week, there was an engagement that I misunderstood. I thought Tarraleah had been paused, but it's actually come back online in terms of a project. There was a question last week - which I'm not sure that we got the answer to - which was, what was the material impact of the pause to that project given the delay? Is there an answer that you're able to provide? I know the answer was given that until we finished the project at the end, we can't tell how different it is, but there must be an understanding of the impact of that.

Mr DUIGAN - In terms of pauses and so on, my understanding is that there was a piece of work that Treasury was undertaking -

Ms FINLAY - That was the big global response. To the business of Hydro, what was the impact?

Mr DUIGAN - Thank you.

Mr BOLT - Yes, we can answer that.

Ms FINLAY - Thank you.

Mr BOLT - Certainly, there has been a delay simply to allow decision-making time; there's not much in it than that, and we have to respect that reality. When you're making large decisions that have a lot of cost risk and potential upside to them, we can't necessarily expect these things to be ticked off at a moment's notice, and there was a lot going through the system at that time.

What I've got here, which I'm happy to speak to, is the cost of the delay was $10 million to $16 million of expenditure pre- a final investment decision, assuming there is one, and that of course is 'on the can' so to speak. That's due to the additional eight months of work prior to the release of the request for proposal, which we're now close to being able to do. And the fact that 'do it later' means inflation and escalation will add an estimated $40 million to $60 million of construction costs post-FID. Part of that, of course, is simply because time has passed. So, that's essentially it.

Ms FINLAY - Thank you. A comment, I suppose, on that. The interrogation in these questions comes often from, not from a misunderstanding, but a lack of understanding that when things are paused or when things are reactivated, it is actually useful to communicate that more broadly, because there are all sorts of conversations going around. Marinus was just supported, then there was a pause on capital works for Hydro for three years, and there was a pause on Tarraleah. All these things get mixed up in the message and then that adds to concern in terms of 'Well, what is the benefit of Marinus, and why are we supporting that and we're stopping this?' Clear communication about that in those moments can be useful.

Mr BAYLEY - Chair, I am keen to go around the river modelling one more time, because it is a really important issue. I ask again, is there anything you are prepared to release that underpins and justifies your profit projections? The figure of $470 million is talked about in terms of additional profitability for Hydro that could be injected into the government to offset the increased transmission costs that are acknowledged.

With respect, CEO, in your previous answer, you said, 'Oh, things aren't that much different to Basslink. We're still going to trade across an interconnector'. But you said yourself just before that Basslink isn't flowing well, Basslink has a partial economic outage - whatever that means, I assume that means it's not very efficient. You are going to be trading on a significantly more complex and dedicated level than you have been, and they are huge assumptions.

So, I ask again, when it comes to either the river modelling, or the financial modelling, or preferably both - is there anything you are prepared to release that people can scrutinise and see that your profit projections - $470 million going forward, the reason that we won't theoretically have increased power prices is because of your profitability.

Is there anything you can release, or you're prepared to release to give us the ability to scrutinise and give us the confidence that your projections are underpinned by sound, scientific meteorological modelling? That's to the chair, I'm sorry, minister.

Mr DUIGAN - Well, with respect, all questions go through the minister -

Mr BAYLEY - Well, no they don't. The Chair is here.

Mr DUIGAN - as I understand it. I think the questions go through the minister. I would point to the work that has been done and there is a great body of work -

Mr BAYLEY - I guess that's my question: where is it?

Mr DUIGAN - Well, you know, there is a whole-of-state business case. There is -

Mr BAYLEY - That's not what I'm asking for, I'm asking for the river-flow modelling.

Mr DUIGAN - there is a FID assessment document, there is all of those things which are all publicly accessible, apart from certain commercial aspects of them.

Mr BAYLEY - Chair, can I clarify - can I put that question to the chair?

CHAIR - Yes, you can.

Mr BAYLEY - I understand that I can?

CHAIR - My apologies, I just get confused with these GBEs versus other committees; but it can go directly to the chair.

Mr BAYLEY - Thank you, Chair. I don't want to hear from the minister in relation to this, I've heard a lot from him about it. Chair, you have -

Mr DUIGAN - Well, with respect -

Mr BAYLEY - you are giving the profit projections to government - $470 million going forward. We've heard from the CEO that there's ongoing and iterative and plenty of engagement from a scientific perspective that underpins the river-flow modelling. We've heard how critically important river-flow modellings are to profitability already, that's why you are not returning a dividend this year.

Mr SHELTON - Point of Order, Chair.

Mr BAYLEY - What can you provide?

Mr SHELTON - Point of Order.

CHAIR - Sorry, Mr Bayley.

Mr SHELTON - If we're sticking straight to the rules, then we're here to scrutinise the financial year performance of the GBEs, not talk about the future of GBEs -

Mr BAYLEY - Serious?

Mr SHELTON - So, if we're sticking to that -

CHAIR - I don't think -

Mr BAYLEY - Are you serious? We're not allowed to talk about the future?

CHAIR - Sorry, I don't think it's really -

Mr SHELTON - Of course, a decision will be put to the minister, but it's not fair to policy decisions to offices.

Mr BAYLEY - I'm asking for scientific modelling.

CHAIR - I think there's been a lot of leeway with these committees, in all sorts of things. I know you stick to your questions - specific questions, but -

Mr SHELTON - Not everybody does.

CHAIR - We will continue with Mr Bayley's line of questioning.

Mr BAYLEY - Is there anything you are willing to release that can be scrutinised, that demonstrates the level of inflows that you pin profitability on?

Mr DUIGAN - Again, as I would say -

Mr BAYLEY - Minister, I put the question to the chair.

Mr DUIGAN - No, no, let me say, that profitability is not pinned to inflows, and that's an important distinction.

Mr BAYLEY - It was this year and last.

Mr DUIGAN - No, there are two things that underline Hydro's profitability: one is rainfall yield, and the second is the ability to trade.

Mr BAYLEY - Okay. I will ask again: is there anything in the rainfall inflow modelling that you are prepared to release?

Mr BOLT - I think that it's quite possible for us to summarise the body of work and its broad conclusions, simply for the sake of transparency. I'm sitting here thinking that we'd be quite prepared to do that if that was useful. I'm not sure it's how we're going to illuminate in any kind of very direct way what the profit results of that are going to be, simply because there are so many determinants of those profits. Those include the amount of wind and solar that's installed here and installed in Victoria, how quickly coal exits in Victoria, whether Marinus II proceeds - there are so many aspects to this that you simply will not find a line of sight between a report which summarises our river-flow modelling and the profitability, which as you would have seen from the whole-of-state business case is also very, necessarily subject to a lot of variation.

Mr BAYLEY - Of course. I am asking for the river-flow modelling. People can extrapolate from that, and you obviously have, and there's a separate question about whether you will publicly release your financial modelling that gets you to the $470 million. Coming back again to the river-flow modelling, does it exist -

Mr BOLT - On that point, Mr Bayley, I think that that's the whole-of-state business case conclusion. I think that's been released to the extent that it's going to be. When it comes to releasing the summary of this body of work - and I'm not trying to evade your question - but it is a body of work done over many years. I think what we should do is go away and ask ourselves what we can do that would actually assist the understanding of that.

Mr BAYLEY - If there is not a body of work already, then that would be better than nothing.

Mr BOLT - There is for internal purposes, but of course -

Mr BAYLEY - But nothing that's public.

CHAIR - Mr Bayley, I understand that this is important, but we also have other people at this committee. I will go to Mr Garland in a moment, but I will just read point 3 in answer to your question, Mr Shelton, or your point of order.

> A committee may ask for explanations relating to the activities, performance, practices, and economic management of the government business.

Mr GARLAND - Minister, the whole-of-state business case identifies a future policy challenge arising from Marinus Link proceeding. That is, the financial implications for major industrials and power price contract terms. Has Marinus Link meant Hydro will need to increase the power price it is offering to major industrials to account for the lost opportunity to trade electricity into the NEM?

Mr DUIGAN - Sorry, could you give me that last bit again?

Mr GARLAND - Has Marinus Link meant Hydro will need to increase the power price they are offering to major industrials to account for the lost opportunity to trade electricity into the NEM?

Mr DUIGAN - No. Hydro contracts with our major industrials for an extended period of time, typically 10 years. I think the answer to that question is, 'No.'

Mr GARLAND - Talking about flows. We've been experiencing a downward trend in rainfall since 1970, and it's only accelerated since the 1990s. According to the whole-of-state business case, the assumption was one dry year every decade. Now we've just been through two dry years. Is that the assumption that was used in the water inflow modelling?

Mr DUIGAN - I'm happy to have Rachel have a swing at that. We have had two dry years, no question about that. No risk, right or wrong. I think it's interesting in the context. I think in the last 10, six have been above and four have been below, or something like that. Rachel can provide that level of detail. These are dry years. We have wet years. Rachel, for the detail to your question.

Ms WATSON - Thank you. I think what you were referring to just then, minister, was the last 15 years: eight were above average, seven were below average. We do look at long-term averages. Our annual expected yield for this year, for example, is closer to the 9GW hours that is kind of our long-term average versus last year, when it was only 6600. Our long-term view at the moment is that we expect a decline of about 17GW hours per year. Out of the 9000 that would be typical, over the long term, we see that coming down by 17; that, we expect, though, would stabilise after 2050 under an intermediate emission scenario. Once global emissions start to stabilise, we expect to see climate change also stabilising. That's the extent of it.

Prof RAZAY - Honourable minister, dams do age and that is associated with increased risk. What strategy do we have to strengthen these dams and what's the possibility about increasing capacity at the same time?

Mr DUIGAN - Thank you, Professor Razay. I'm happy for the business to take that one on, noting that there is work going on at dams as we speak.

Mr BOLT - Dam safety is a very high priority for an organisation that has, I think, 54 major dams, though I stand to be corrected by the CEO in that figure. We look at it in great detail and have an active program of evaluating the level of risk associated with those dams, not only due to aging but to due to other factors including climate change and the impact they can have on dam levels. We have dams that are under an active program of refurbishment and strengthening where that's required. So yes, it's a very high priority for us for obvious public safety reasons, but also for our operational reasons.

As to whether or not there's much capacity to increase our storage levels, I think the answer to that is not a great deal, but on that, again what I will ask is for Rachel to confirm or correct.

Ms WATSON - So dam status, you're right, is not static. It does kind of change over time, partly to do with actual impacts of wear and tear on the dam, but also partly to do with changing standards as we understand better what constitutes good dam safety practices. So they are very clear, benchmarked external standards that we are looking to. We do a biannual dam

safety review to make sure that we are checking all those 54 major dams' conditions. From those reviews, we prioritise various dams for major refurbishments, minor refurbishments, whatever is required to make sure we're maintaining that level of dam safety.

To the question of increasing storages: we're actively seeking at the moment - not making any changes to the infrastructure, but to increase the amount of water we've got stored in Lake Gordon, because we do see that as being very beneficial. The more water there is in the lake, actually the more power you can extract from the same amount of water because it's dropping from a higher height, it has more gravity force behind it; that generates more power. So we are actively trying to build the Gordon storage level at the moment within the parameters of the operating rules and the rainfall that we get and all those things. So we've still got some capacity we can access through our existing dams without needing to increase any of the sort of infrastructure on them, which I see as a positive.

Prof RAZAY - In the future is there capacity to increase the height of the dam?

Ms WATSON - That's not something we're actively looking at. I mean -

Prof RAZAY - I know, but you never know with the future.

Ms WATSON - I mean, for example, Gordon's storage level at the moment is 50-something per cent. So there's no immediate need for us to increase the capacity. That's our largest storage and Great Lake's at a similar level.

Mr BOLT - I think it was one case, and I struggle to remember the name of it, and the team will help us with this, where we have done so more for safety reasons due to assessments of the level of spill that could occur, but not really for major storage reasons. So the short answer is I'm sure technically there may be some potential, it's not something we've actively looked at, and there's no program for it.

Mr SHELTON - Before I start, Professor Razay and I have followed each other in questioning fairly well, so to that, I also implore him - whether he asks a question today or to get a briefing on Tarraleah, so not increasing storages but make the water that we have more efficient. So my question, a similar question; it's to do with the dams.

Minister, last November saw the 50th anniversary of the Gordon Dam, the tallest dam in the country and a true feat of engineering accomplishment. Now 50 years on, the Gordon Power Station is Tasmania's largest hydro station and a significant part of the hydro generation portfolio. Can you please outline what work Hydro Tasmania has undertaken in order to ensure this valuable asset continues to produce reliable energy for years to come?

Mr DUIGAN - One of the great privileges of being the Energy minister is getting in the cable car that goes down the face of the Gordon Dam. It's quite a ride. As you say, the Gordon Power Station opened in 1978, Tasmania's largest renewable power generator, and it's fascinating to go into the power station there, which is some 200 metres below ground, and to see the slots that are already there to take more hydro machines and have been there presumably since it was built. After 50 years of operation, it requires some upgrades and some maintenance work. It's fascinating to see. I was there on a day that they were balancing one of the big spinning wheels.

Mr SHELTON - Armatures.

Mr DUIGAN - I don't know what it was, but the tolerances of it were extraordinary. I won't talk about my experiences any longer. It's an ongoing job of work to keep them up and going. Richard, Rachel, anything you'd like to say?

Mr BOLT - Through you, minister, yes, it's an extraordinary feat of engineering, Gordon, the entire system, as you were observing earlier. One of the most complex aspects of the upgrades for the project team is removal of the massive stator, which is the structure that the turbine spins within, the armature spins within. A total of 60 workers have been involved in carrying out the upgrades on site. They're housed at the Pedder Wilderness Lodge nearby, which has been renovated and expanded to accommodate the workforce.

To the minister's point earlier about the tolerances, the precision with which you need to both remove and then reinstall these, to the average person such as myself, it seems impossible that you can do that with such precision, but it's managed by a very skilled workforce. To that end, I certainly acknowledge the Entura and Hydro employees who have been involved with this project. The second turbine's refurbishment is expected to be completed over the next 12 months. It's important to recognise that we have a pretty remote system here, a lot of west coasters. They're well away from family and friends for the most part. People have to spend a lot of time away. We do our best through the management team to make their lives liveable and enjoyable, but nonetheless, there is separation involved and that's another reason to acknowledge their contribution.

It's part of a program of upgrades, which, as I said earlier, is accepting that we need to give another 50 years of life to a lot of machines across the state, of which this is only one example, and at the same time, be ready for the entire system to play a very different and more valued role from its already valuable role in energy transition that will affect the island, make Tasmania more viable and at the same time contribute to the stability and security of the NEM at large.

Ms FINLAY - Minister, the first question may be to colleagues, but the second and third to you on Basslink and a response provided earlier. In a normal year, it's about 2 per cent under full capacity, and I think you said it is operating either at 44 per cent or as a reduction of 44 per cent of its overall capacity. Is that a management decision by Basslink, or is it an efficiency decision? There's a question for learning.

Ms WATSON - Through you, minister: I will clarify those numbers I quoted before. In a normal year Basslink does not flow 2 per cent of the time, so it's inactive 2 per cent of the time; but at the moment it's been inactive 44 per cent of the time, so it's still flowing.

Ms FINLAY - Is that an efficiency or a management -

Ms WATSON - We would say Basslink not flowing is an inefficient result. It's far more efficient for Tasmania and Victoria if Basslink flows completely unrestricted, which is the way it was operating until this financial year -

Mr BAYLEY - Is that what you mean by partial economic outage?

Ms WATSON - Yes.

Mr DUIGAN - It's a decision of its own.

Ms WATSON - That's right. The operator of Basslink this year is entitled to put a toll. It's gone from being a freeway with no charge to being a motorway that has a toll. So it only becomes worthwhile to actually buy or sell energy if the difference in price plus the toll is worthwhile.

Ms FINLAY - So, there are decisions being made about utilising it because of that, as well, as much as the decisions are being limited, or it's being limited by that toll price? Okay.

Mr DUIGAN - Yes, as APA bids it into the market.

Ms FINLAY - Thank you. My question now is to you - in a previous scrutiny I asked you about your policy position on shielding direct-connected customers from the increase in transmission, and there will be an increase in transmission from Basslink as a result of it becoming regulated. When it is regulated, at the moment there is a facility fee, is that what it's called?

Mr DUIGAN - Previously there had been a facility fee.

Ms FINLAY - Yes, there's a facility fee, and that no longer will exist. Have you had contemplation, or have you discussed together, whether that increase in transmission from this change of status with Basslink might be absorbed through the now-no-longer-needing-to-be-paid facility fee? I'm sort of bringing two questions together from two different scrutinies.

Mr DUIGAN - I mean, yes.

Ms FINLAY - You have considered that?

Mr DUIGAN - Well, it's sort of the obvious - previously Tasmania has paid for Basslink, all of Basslink, since Basslink has been a thing, and that has been paid for by Hydro Tasmania. Now, Victorian customers will pay for 75 per cent of Basslink. There will be - we're not entirely sure of the actual numbers, we're waiting for that to come through, but we would look at those things and, if required, make a policy decision.

Ms FINLAY - From the minister's answer - ring-fencing, that part of his conversation, have you put your minds to whether the balance of funds available after any policy decisions be just absorbed into - or not absorbed, but maintained in general revenue or operations? Or has there been a particular thought around how the financial benefit that you will now get - like, of payment, will be used in other ways, because it's not an insignificant amount of money.

Mr BOLT - Can I make a comment in passing that what we get for the facility fee includes access to the interregional residue, so to speak, which is a technical term for the price difference across the link multiplied by the amount of power flowing over it. We would have to bid for those, under regulations, so that will actually be a cost that is kind of in lieu of the facility fee. So it's not like it all goes straight to the bottom line. That would be my understanding of the situation, but Tim would be in a better position to explain.

Ms FINLAY - I'd appreciate it, thank you.

Mr PETERS - Through the minister: I think any increase in Hydro profit that results from a reduction in the facility fee will obviously feed through into the Hydro profit at the bottom line. 90 per cent of that profit then returns to the government. What the government chooses to do with that 90 per cent dividend, whether it's schools, hospitals, roads, et cetera, that's up to the government. Has Hydro got a direct mechanism that it will subsidise for the North West Transmission? No, but the increase in profits will flow through to the government, and what the government chooses to do with the money is up to the government.

Ms FINLAY - If the contemplation within Hydro is that simple, but you gave a bit more colour to that, then, in terms of what other activities might require in that - but that question has been asked a lot in terms of, well, it seems like a simple thing to say that all of a sudden there's this availability - $70 million to $90 million is it, or something, on average a year, but one of the many things that you might be contemplating is around how parts of that could be used for those sorts of policy decisions?

Mr DUIGAN - Yes, I think there are policy discussions ongoing.

Mr BAYLEY - Minister, we just heard from Mr Garland about the transmission increases for major industrials. The Marinus whole-of-state business case is really clear, based on modelling undertaken by TasNetworks. Tasmanian electricity customers can expect to pay higher transmission network prices arising from the costs to build Marinus and the North West Transmission Developments. As you repeat, and as the whole-of-state business case says, these costs are found to be broadly offset by modelled lower wholesale electricity prices, compared to no Marinus.

The Tasmanian Treasury Marinus Link electricity market modelling that was attached to the whole-of-state business case and is really clear on page 20. It looks at Marinus Link stage 1 versus no Marinus Link and it is really clear: it says for Tasmania prices will go up $40 a megawatt-hour, a 59 per cent increase relative to a no-Marinus Link progressive adjustment. How do you square that away? This is the modelling that you commissioned, that wholesale power prices will go up by 59 per cent, and yet you say the increased transmission costs will be offset by lower wholesale electricity prices. Where do you get your data and analysis from, if this is Treasury's report?

Mr DUIGAN - That is Treasury's report.

Mr BAYLEY - Have you got another report?

Mr DUIGAN - Well, certainly I've got my FID assessment report.

Mr BAYLEY - So you disagree with this analysis from Treasury and from Deloitte?

Mr DUIGAN - Again, I will let Treasury's report sit in Treasury's document, but we certainly have an FID assessment report that has guided our decision-making and how the government would make its decision. The whole-of-state business case, as I say, is an important document and all of that, but it is a Treasury piece of work, so I won't be unpicking it here.

Mr BAYLEY - But do you disagree with it? I mean, this is really clear, relative to no Marinus Link:

> Marinus Link scenario results in relatively higher Tasmanian prices, in line with Victorian price trends due to greater exposure to mainland NEM market dynamics from 2030 onwards. As a result, projected average prices are $40 a megawatt higher in Tasmania over 2031 to 2050.

You fundamentally disagree with that?

Mr DUIGAN - Again, that's a Treasury document. I'm not the Treasurer. I won't speak to that document, but I will speak to our FID assessment document - all our modelling, which would say that prices in Tasmania are lower with Marinus than without.

Mr BAYLEY - So, putting aside the FID document, is there another piece of modelling that you have commissioned that informs that FID document that you can point to and release?

Mr DUIGAN - Again, I point to our FID assessment document which, at the time of making the decision, collates all the documents that relate to Project Marinus.

Mr BAYLEY - But you would have to agree, based on Treasury's evidence, your statements that it will lead to lower wholesale price is wrong?

Mr DUIGAN - I will point to that being a point in time of 2022-23 information that feeds that document and it says what it says. It's there for people to read and I encourage them to do so. But on the basis of what advice I've been given, a positive FID decision from TasNetworks, a positive FID decision from Marinus Link Pty Ltd -

Mr BAYLEY - Of course they are, they're not vested interests?

Mr DUIGAN - all of our government departments, from Treasury -

Mr BAYLEY - Have you got independent analysis?

Mr DUIGAN - Yes, there is I believe independent analysis but -

Mr BAYLEY - Who's that by?

Mr DUIGAN - this is GBE scrutiny -

Mr BAYLEY - Who's that independent analysis by?

Mr DUIGAN - That's a Treasury document; this is not the place for it.

Mr BAYLEY - Who is that independent analysis by? You just mentioned there is independent analysis that underpins your assumptions.

Mr DUIGAN - As I've said, there is a range of documents that support the government's decision and I'm -

Mr BAYLEY - So this is a Treasury document that basically undermines the foundational argument for Marinus -

Mr DUIGAN - No, that's your words.

Mr BAYLEY - This is the Treasury's words - this is Deloitte's words from 2024, commissioned by the Tasmanian Treasury as a Marinus Link electricity market modelling document.

Mr DUIGAN - Again, Chair, I'm not sure how this line of questioning applies to Hydro Tasmania.

Mr BAYLEY - Well, it relates to Hydro Tasmania because they're going to be providing the energy into the market and, theoretically, $470 million worth of super profits because of Marinus Link, but your own market modelling done by Deloitte says that actually prices will go up 59 per cent under a Marinus scenario versus a no-Marinus scenario. At the same time, you acknowledge that transmission costs are going to go up, but you're saying they're going to be offset by lower wholesale prices, which this analysis, Treasury's analysis, says is not true. You say there's going to be lower wholesale prices; this says there's going to be a 59 per cent increase.

Mr DUIGAN - What I would say is that prices in Tasmania will be lower with Marinus than without.

Mr BAYLEY - Even though Tasmanian Treasury's document and Deloittes say that that's not the case.

CHAIR - Mr Bayley, we have to move on. Mr Garland.

Mr GARLAND - In the Hydro's annual report, it has claimed that Tasmania's demand for power is growing. You would acknowledge that Tasmania's consumption has fallen continuously over the past three years and is now at the same level it was back in 2012-13. Is there currently enough spare power in Tasmania for Boyer Mill to undergo an electric conversion?

Mr DUIGAN - Yes.

Mr GARLAND - There is? Easy.

Mr DUIGAN - Certainly, I point to other such conversations which are being had with load proponents in the state and we're happy to have those conversations and connect those loads up.

Mr GARLAND - Also, can you explain what you mean by Tasmania's 'growing demand for electricity', and can you outline which industries are projected to increase their electricity consumption, how much they are asking for and in what timeframe they need this?

Mr DUIGAN - Certainly, in terms of the well-known work that we're doing with hydrogen proponents and e-fuels and those sorts of things, Tasmania currently has two well-known, advancing - not to the same speed that we had hoped for earlier in the hydrogen-hype curve - two circa 300-megawatt projects, one in Bell Bay, one at Burnie. There is another hydrogen proponent currently talking to TasPorts about a similar scale thing. So, that's a fair bit of new energy.

The other obvious place that I think we will see load growth occur is through data. Tasmania is very well geographically located for the situation of data projects. Another benefit of Marinus Link is the substantially increased telecommunications capacity that it brings to the state, vastly improved. It makes Tasmania even more prospective from a data perspective; good climate, green grid, good data connection, all those things.

I don't think we want to be too prescriptive about what load we're chasing. I'd love to see Boyer put an electric boiler in, great. Love to see Liberty decarbonize. All those things.

Prof RAZAY - I'm trying to make a question for you, minister. I was thinking how Hydro Tasmania plays an important role in supporting our Tasmanian industries, especially in Bell Bay, for example. The recent special agreement for one year to support the aluminium smelter in Bell Bay and I also expect something is being negotiated regarding the Hydrogen Hub as well. How can you guarantee in the future, with Marinus Link, that you will continue to support our local industry and provide them with the reasonable price as well?

Mr DUIGAN - Thank you and happy for Hydro to have a go.

Mr BOLT - Thank you, minister, and thank you Prof Razay. It comes back to the fact that we take those responsibilities to the Tasmanian economy, to the workforce here, very seriously. We look to price so that we do meet government's expectations, that we will, and our statutory requirements demand that we operate reasonably commercially, while at the same time looking at opportunities to grow industry and create the jobs that you're referring to.

It just comes down to the way we price in our negotiations. I think the record that we've struck so far is that, with Liberty Bell Bay, we did reach an agreement in the financial year we're examining here, and we will continue to look for those opportunities as time goes on.

I'm not sure I can add much more to that unless there's any thoughts that you have, Rachel?

Ms WATSON - Just to add, and I think the minister touched on this earlier, that in the case of our major industrial customers, we enter into long-term deals. So we lock a price for them, typically 10 years. I think they find that advantageous, because then they have that price security. They can plan their business around that input price over a 10-year horizon and they're not exposed to the sorts of volatility that has been the subject of some discussion today. That's a very important part that we play in supporting major - and we won't change that going into a post-Marinus world. We will still be looking to sign long-term agreements with our major industrial customers.

Mr BOLT - I should add to that. We have lots of interest always coming to us, because this is one of the few parts of Australia where power stations do not have to close to deal with an energy transition that is going to be quite disruptive in New South Wales and Victoria, but is more of an opportunity than a risk to Tasmania.

With the 'clean green' credentials of the state's energy system, with the fact that it does have sufficient power to do things like electrify the boiler at Boyer, we have not only the existing major industrials, but we do have a data centre proponent, we do have potential hydrogen proponents - and yes, while the hype cycle for hydrogen has probably reached its maximum, nonetheless for this state, taking a medium- and long-term view, has more prospects

than most other parts of Australia and many parts of the world to, in fact, seed and occupy an important niche role in a future hydrogen industry. It might not be quick, but it's certainly not over that particular possibility.

So all these discussions occur. They're not immediately going to lead tomorrow to investments in some cases, but in other cases they may. So we spent a lot of time on that. It's a major focus of our business. The board considers it frequently. We get a regular list of how those negotiations are occurring and we scrutinise that every month, and of course, the management team more frequently than that. So yes, you can rest assured it's a major focus.

Prof RAZAY - It is reassuring, honourable minister, to hear that. That they will continue to support our local industry even if they are offered higher prices in the mainland because that's actually relevant, it's important. Thanks.

Mr SHELTON - Minister, Hydro Tasmania is a major employer across the state and a big part of the community landscape throughout Tasmania, and we don't have too many employers other than the major industrials that are much bigger than Hydro, so it's got a significant part to play, particularly in Lyons and regional Tasmania. As a company that operates across the entire state, it's essential that the business provides positive impacts in the region it works in. Can you please outline what Hydro Tasmania is doing to support investments in the Tasmanian economy?

Mr DUIGAN - Thanks Mr Shelton. Those benefits that you talk about in regional Tasmania have been going on for the best part of a century and they continue to be hugely important.

As we were touching on before, there is this ongoing maintenance capital works program. In FY 2025, Hydro spent over $195.8 million with Tasmanian businesses. That was up from $189 million in FY 2024, so combined, the best part of $400 million being spent with local Tasmanian businesses doing work out there in those areas of the state where the Hydro assets are. It is a very direct and important source of work and source of income for a lot of those businesses in that space. Perhaps Richard or Rachel?

Ms WATSON - One example of this is the Edgar Dam upgrade. We're carrying that out in partnership with a variety of Tasmanian-based businesses, including our own insurer, consulting arm and Hall Earthmoving, which is a Tasmanian civil construction company and our principal contractor who's responsible for the majority of that work.

There are a further 20 local businesses involved in that project covering all sorts of things ranging from earthworks to vegetation management, supplying building materials, environmental services, civil construction trades. One of those is Duggans, which is a third-generation Tasmanian family business based in the Huon Valley. They've cast the new wave wall for the dam consisting of 178 2.5-metre-high precast concrete sections.

Mr SHELTON - Wonderful local business.

Ms WATSON - Yes. Our commitment to supporting local business is consistent with the Tasmanian government's Buy Local Policy. As the minister's already touched on, that's a significant part of our annual expenditure and these upgrades that we're doing to Edgar will

deliver better community safety and operational improvements while helping to protect the unique values of the surrounding wilderness area.

Ms FINLAY - Prof Razay asked an important question regarding the support for local industry. I'm interested in the power contracts more generally. You mentioned a data centre. I don't know if you said data centre, but a data proponent, and I'm interested in what the government's policy parameters are and what Hydro's contemplation, the framework for contemplation, is when you have an approach for something like a high-energy user, it doesn't have the same amount of on-ground jobs, so that sort of economic benefit to Tasmania.

What frameworks are you establishing as a government and as Hydro to contemplate the benefit of those deals to Tasmania and whether they would therefore come at a premium price for the benefits that we offer them, and the reason why they would be here or whether it's regular? If you just talk me through that a little bit.

Mr DUIGAN - I am happy for Hydro to talk about its engagement in that space.

Mr BOLT - When it comes to prioritising one industry over another, that's very much a policy matter. We take our guidance from government. It's an industry policy question. If we start deciding that a particular industry is more economically valuable than any other, then we're straying beyond our mandate.

Ms FINLAY - I did ask the minister, but he handed it to you.

Minister, we started this conversation last week, but you might have implied that we could have this conversation here. I am seriously interested in the government's contemplation of the value that we have in our renewable energy, globally recognised, the benefits of doing business in Tasmania, the climatic advantages for data centres and others to come here, and then that increasing opportunity we have here with balancing out our generation and our load. What are the policy parameters that you are putting around that type of customer in terms of them getting a lot from us and perhaps making sure that Tasmania receives a large benefit?

Mr DUIGAN - Broadly, we would say that new load coming into the state would be asked to pay a market rate. That's the broad understanding: that new load coming in will either bring generation with it and will contract with new renewables. We would see the hydrogen proponents being very much engaged in that space and that's been the understanding all through that process. I would see data very similar to that. If you look at where data would be typically seeing itself, we're seeing enough inquiries to know that data would see itself potentially in the Central Highlands. Again, it's cold, it's close to new renewables, it's close to transmission, and you'd look at those things. If it was acting as a pull through for a wind farm up there, then that would be a commercial circumstance between the generation and the load, but typically, as I say, government's broad view is that new load coming in needs to pay.

Ms FINLAY - But if a data centre comes in, and it brings its own generation project, would that neutralise the generation in your TRET figures in terms of its packaging?

Mr DUIGAN - No, that's simply on-island generation.

Ms FINLAY - Power contracts more broadly, and I'm not asking for any commercial specifics, I want to know how we're managing this in terms of Prof Razay talked about the one-

year deal that was the extension to Bell Bay Aluminium. I'm curious in terms of the comfort of entering into a one-year deal. We talked about 10 years is the norm in how we would enter into an agreement. These negotiations happen over a long period of time but being able unable to bring that negotiation to a close prior to the end of its current agreement.

What level of comfort does Hydro have, given that I know that there is a number of players that will bear to create an outcome in being able to achieve an outcome within the year. Have you set yourself a time target when to do that so that we're not - I would use the word 'scurrying' or 'panicked', again, in trying to create an outcome? What's the approach that you're taking to this?

I'm concerned that in some conversations - and it wasn't with you, minister, but with a different minister - comments were made to me such as, 'I don't know what your expectations are, because we're offering it less than retail, less than market.' The reality is that you're talking about marginally above cost-of-production and new load should be at market, but there's a long gap between 'less than retail', 'less than market' and that. So, a serious conversation about how we bring to conclusion a 10-year deal for Bell Bay Aluminium?

Mr DUIGAN - Thank you. I will make some opening remarks in terms of the engagement that's been happening between Hydro and Bell Bay Aluminium for a period of - I believe it's six years - certainly for the last 18 months - very intensively. I think both parties have engaged in very good will and good spirit, and that continues to be the case.

What we have found, with Hydro and us with our charter, which I think has been interpreted by Hydro to mean 'at or very close to the cost of production,' and Bell Bay Aluminium saying, 'This is the price we need for our viability going forward,' there is a gap. There will be a gap, and we have been endeavouring to engage with the Commonwealth on that, and I think that has taken some time. We are at a place now where, I believe, that engagement is at the level it needs to be. The Premier, as I understand, has had meetings today. I won't prejudice those, but - you know, we need a tripartite solution to this.

The time: it will take as long as it takes, I guess. Is there an ability for one or other of those parties to necessarily pull it along? Probably in this case, the unknown is the Commonwealth. So, we will see what that looks like.

As we're looking at it, we absolutely see - and I think everybody involved in this sees - a future for Bell Bay Aluminium. We see the next 10-year contract for that business unlocking substantial investment and capital investment in that plant. There is opportunity, you know; it's a changing landscape.

With all that said, for the latest update and where Hydro sits, I will ask Richard to say a few words.

Mr BOLT - Thank you, minister, and thanks again for the question, Ms Finlay.

Very consistent with what the minister said. We recognise Bell Bay Aluminium is a valued employer, but we have been negotiating assiduously, you might say, with them. We do have the bottom line of being commercially responsible - perhaps that's another way of putting it - as well as facilitative of their continued operation in the state. A gap remained after all those negotiations, as the minister outlined. That brings into play what government, the federal

government particularly, is prepared to do to, in a sense, 'square the circle' and land an agreement.

We thought a one-year extension was a very good way to buy the time for that to be done. I'm sure that all parties will want it done with plenty of notice, to your question about when. If we were thinking that we want to get this done or this could be done very quickly, then you might have said six months, but that simply would have meant it would have been a mad scramble, I suspect, and it would have been a last-minute agreement.

One year, which should allow for a time for a decent agreement to be landed, with enough notice that the workforce understands its future in plenty of time for that anniversary date and a new agreement to kick in. One year is simply a holding operation, an opportunity for the negotiation to secure the future of the smelter.

It, necessarily, brings in the federal government. As the minister said, that's something between the Premier and other ministers and the federal government. We stand ready to ensure that we're part of an agreement that is acceptable to all parties, in which there is a federal contribution, in which there is a good price from us, and in which there's sufficient investment to secure the plant and to keep those jobs alive and everyone happy in the north of the state.

Ms FINLAY - And so, between yourself and minister, you said that it is possible to bring that tripartite outcome, but ultimately the gap was identified too late to conclude those conversations within the time period. You don't see that happening again? If you're comfortable that you will be able to reach agreement within the 12 months provided.

Mr DUIGAN - Certainly, I do. As I said previously, the missing piece was a level of engagement from the Commonwealth government, and I think that is now not a missing piece.

Mr BAYLEY - Minister, in relation to this inconsistency between what you say around Marinus Link and lower wholesale electricity prices and what the whole-of-state business case says, and what Treasury modelled by Deloitte, who says that there will be a 59 per cent increase relative to a no-Marinus scenario - you pointed me to the whole-of-state business case. Looking at the whole-of-state business case, it doesn't reference here any other work that has been done to model this and I will read the section to you:

> Wholesale pricing impact: A customer's bill is also made up of a wholesale electricity component. Work undertaken by Marinus Link Pty Ltd and for the whole-of-state business case forecasts that relative to a no-Marinus scenario, and on the basis of current policy settings, Tasmanian customers will see lower wholesale prices with the project than would otherwise have been the case without.

That's clearly wrong because work undertaken for the whole-of-state business case is indeed this Deloitte report that says prices will go up 59 per cent.

So, I ask again: what have you seen and what can you provide in relation to work undertaken by Marinus Link Pty Ltd that models prices that suggests that wholesale prices will come down as opposed to go up, as has been modelled by Treasury's report by Deloitte.

Mr DUIGAN - Sorry, what was the first one you were reading?

Mr BAYLEY - The financial investment decision.

Mr DUIGAN - The FID Assessment.

Mr BAYLEY - Sorry, I might have said whole-of-state.

Mr DUIGAN - I have read the whole-of-state business case, and I have read the FID Assessment.

Mr BAYLEY - Have you read an alternative pricing model to this one by Deloitte that says that wholesale prices will come down?

Mr DUIGAN - I have read both documents and -

Mr BAYLEY - But not an alternative model?

Mr DUIGAN - My consistent, strong advice is that -

Mr BAYLEY - Contrary to Deloitte.

Mr DUIGAN - prices under the Marinus scenario will be lower than under a no-Marinus scenario, and that remains the basis upon which the financial investment decision was made.

Mr BAYLEY - That's your position. It's not the evidence.

Mr DUIGAN - I certainly accept that there are a couple of areas of policy work for the government - and I am going down a road here - this is Treasury work, and this is a Hydro scrutiny briefing. However, I will say that there are a couple of policy positions that the government has committed to. One is a pricing review in advance of Marinus coming online to understand whether we have our price policy settings right and if there is a good outcome for Tasmanians because that's what we want. The second one is around shielding our major industrial transmission-connected customers from undue impacts of Marinus. Those are the two policy positions.

Mr BAYLEY - Thank you. Okay, so being a Hydro scrutiny, maybe I can turn to the chair. Chair, what is your understanding of the impact? You are traders, you are projected to make money under a Marinus scenario. What is your understanding in terms of wholesale electricity prices under Marinus versus a non-Marinus scenario? Would you agree with Deloitte, which says that it's going to increase by 59 per cent? Or, putting aside the percentage, would you agree with Deloitte that wholesale energy prices under a Marinus Link scenario are going to go up? Or would you agree with the minister who somehow claims - it seems without any evidence that we can see or that he's willing to point to - that they're going to come down?

Mr BOLT - Thank you, minister. Thank you for the question, Mr Bayley. What we certainly expect is that mainland prices that we can access via exports will become more advantageous to us commercially because not only -

Mr BAYLEY - Sorry, but wholesale energy prices. It's really clear.

Mr BOLT - I'm talking about wholesale mainland energy prices -

Mr DUIGAN - Victoria is in that.

Mr BOLT - Not only they're expected to rise, it's also that we can, in a sense, pick the higher-price periods because as the state brings more wind and solar into its mix and we get more capacity to generate through the projects, should they pass final investment decisions that we're developing, we think there's a great opportunity to substantially increase the earnings that we get from that.

Mr BAYLEY - Because of the access to the market - and did I hear you say then because the wholesale energy price will rise?

Mr BOLT - On the mainland, is what I'm saying.

Mr BAYLEY - They're only attached to the mainland and so our prices will rise with them.

Mr SHELTON - Chair, could we allow the member to answer the question before he is interrupted again?

CHAIR - Thank you, Mr Shelton. Mr Bayley, this is the last question. Then we'll move on to Prof Razay.

Mr BOLT - When it comes to the veracity of the Deloitte modelling, we have nothing to add on that particular point. We would leave Treasury to account for what that has found. I don't know that I can add much more to my answer than those points.

Mr BAYLEY - To be clear, you expect wholesale energy prices in Victoria, and as a result, Tasmania to go up?

Mr BOLT - It then comes down to how the link flows, how constrained it becomes, how much price separation there is between the two jurisdictions or the two regions of the NEM, and therefore that direct nexus would be oversimplifying the relationship between the two. What I might say is, I will ask but I'm not sure that there is any further we can add from this point of view from either Rachel or from Tim, and I suspect in that case. That's as much of an answer as I can give you. It's not a matter that we can cast any more light on than the minister's already done.

Prof RAZAY - You earlier mentioned that you tried to avoid using energy from the gas-fired generators at the Tamar Valley Power Station and with the recent dry years, that was the main reason. What proportion of our energy came from the gas fire station and how can we try in the future avoiding that?

Mr DUIGAN - I flippantly made that remark, but we are pleased to have that piece of infrastructure in our arsenal. It hasn't run for a long period of time. It hasn't run, except for the last two years, since 2019 or - that's relying on my memory. When gas prices are such and inflows are such, then it becomes prudent to switch it on. In terms of the amount of generation provided by gas, I'm sure Rachel has those statistics. In terms of what we're doing about not running it in the future, all our energy agenda is about not burning fossil fuels.

Ms WATSON - That's set out in the annual report which Tim's just consulting. However, if I could take the opportunity to go back to your earlier question about raising dam heights, I have some supplementary information if that's okay. We're always looking for options to capture more inflows in our storages. In the early 1980s, the Miena Dam at Great Lake was raised by 6 metres, which increased its capacity by about 2000 gigawatt hours. More recently, we invested $31 million to upgrade the Murchison Dam. The project focused on future-proofing critical infrastructure to ensure it's prepared to handle the extreme rainfall events on Tasmania's west coast. Stage 1 of those works saw the wall raised by 3 metres and that was completed in 2020. Stage 2 focused on a spillway upgrade that saw the right chute wall raised by up to 5 metres to improve containment of spillway flows and this was completed in February 2025.

Turning to energy generation then in financial year 2025, which was your question, there was a total generation across all of our power plants of 6631 GW hours. Of that 288 were from gas, so 6343 from hydro and 288 from gas. It was 96 per cent renewable generation.

Mr GARLAND - There was currently 7 GW of renewable energy projects in the pipeline, only about 1.5 GW relate to Hydro. If we end up developing more renewable energy than we need, how will this impact on the projections of profitability from Marinus?

Mr DUIGAN - Marinus gives us the ability - you know, through the course of a day, there's a profile to how the energy market looks if it happens like it does most days, and if we import when the price is low, keep our water in storage and at such times the price on the mainland where Hydro has the ability to trade into when it gets above a certain threshold, we sell energy into that market.

What else do we have?

Mr GARLAND - How will this impact on the projections of profitability if we've got more than we need?

Mr DUIGAN - Again, Marinus would give us the ability - and is attractive to proponents coming to the island because if they are building a wind farm, for example, and they're contracting with load and they are on a windy day, spilling, then potentially they can export that spillage across Marinus into a much larger market on the mainland. So there are opportunities for Marinus to play a role in that sense, but I will pass to Hydro for any further nuance.

Mr BOLT - Thank you, minister. Mr Garland, first of all, there's going to be some, what you would call natural, commercial constraints on over-investment on the part of wind and solar developers, and of course they can't firm their own output, only we can really do that. So our ability to earn substantial amounts with a healthy investment in wind and solar is also healthy, if that makes sense. If, of course, there is an appetite to build huge amounts beyond the capacity of Marinus I, you'd expect that would make the case for Marinus II.

Of course, it's an actionable project under AEMO's integrated system plan. While no commitment has been made by any government to do it, when you look at the situation on the mainland, you would have thought that would be very attractive to continue with that under circumstances such as you've described. What would that do for our profitability? Well, it certainly wouldn't hurt it. It would, if anything, make us more viable.

Mr GARLAND - One of the assumptions made in the whole-of-state business case is that any new power purchase agreements Hydro enters with wind farms will be at market prices. Is this consistent with Hydro's intentions?

Mr BOLT - So that was the question about new load. The short answer to that question is yes. When we're talking about existing industries and existing jobs and the disruption that would come with closure, that's one view, but if it's new industries where those jobs don't yet exist, we'd expect to have a pretty robust commercial negotiation in which we'd expect them to pay the price of additional capacity that's required to service those loads.

Mr SHELTON - Minister, my last question was about how Hydro Tasmania supports the economy in Tasmania and businesses around that. I mentioned about the Hydro being a large employer and right around our region. In my view, it's essential that large organisations give back to their local communities. What work is Hydro Tasmania doing to assist local organisations and charities, so being a good corporate citizen basically?

Mr DUIGAN - Thank you. Of course, Hydro does have a role in that and provides the Community Grants Program and a Community Service Obligation. Hydro has always been looking for ways to give back to communities it operates into and leave positive impacts wherever possible. That's happening through the Hydro Tasmania Community Grants Program, which is currently in its ninth year. This program provides up to $5000 to six selected community groups around the state.

In 2025 Hydro Tasmania Community Grants program provided $26,500 in funding support to charities and organisations focused on community connection, sport, wellbeing, children and families and mental health. Those projects and groups are selected for their ability to make a real and genuine difference for people and communities within Tasmania. I certainly encourage eligible not-for-profits to continue in the community to apply for future grant rounds. Richard, anything further?

Mr BOLT - With your indulgence, minister, I think Rachel will add to that.

Ms WATSON - Thank you, minister. We really do value the communities in which we operate, so I reiterate the minister's statement that we would really encourage eligible organisations to participate in our rounds of the Community Grants Program.

In the recent financial year, the one that we're discussing today, some of our recipients were:

- The Tullah Progress Association, which was provided with a grant of $5000 to contribute to the installation of a rotating basketball or netball ring at a skate park, which is a great addition to the community and encourages kids to get outside and be active.

- The Central Highlands Community Health Centre was provided $5000 to extend and upgrade the community garden, which will provide fruit and veggies to those in the community struggling to afford fresh food and provide social interaction and healthy activity in a safe environment.

- Bears of Hope provides immediate and ongoing support for parents suffering infant loss. A grant of $2500 will assist with the costs of memorial services; giving bereaved parents access to a service and a support network is really an important service for parents in a time of that immense grief.

- The Tasmanian Transport Museum Society preserves Tasmania's transport history, it's the only dedicated transport heritage organisation and we gave it a grant of just over $4000; and I could go on.

The point is that we are trying to make a difference in ways that really help strengthen community and then that we also feel we are contributing and participating in those communities. We're not just a source of funds; we're actually genuine participants and partners with the communities in which we operate.

Mr SHELTON - That application form would be on the website, no doubt?

Ms WATSON - Yes.

Ms FINLAY - Minister, I'm interested in two tough years, a low return the year just gone and a subdued year. I'm interested in some of the treatments in the financials around assets and revaluations. I suppose I'm interested in the figure that gets used over the 10 years ahead of the capital improvements, the $1.6 billion. As I understand it when I've interrogated that before, that's a general - that's your usual spending going forward in terms of ongoing capital maintenance and programs and things; it's not necessarily extraordinary, but you have some big projects coming up like Tarraleah and Cethana, if they meet their marks.

It was quite a significant revaluation in this year. I'm interested in your description of how and why that happened. I know that there's been in the past significant downgrades to valuations. Obviously, it's going to look healthy on the balance sheet. That's useful if you're going out to get support for these future projects. I am wondering, can you talk me through what it was about this re-evaluation that saw those increases?

Mr BOLT - I think Tim will probably go to the technicalities of how that's done.

Ms FINLAY - Not necessarily how it's done, but could you help me understand why -

Mr BOLT - The drivers of it?

Ms FINLAY - Yes.

Mr BOLT - Sorry to interrupt you. Broadly, every five years I think it is, we take another look at what future revenues we may earn from the market. The assets are valued on that basis and that's what you've seen reflected in the valuation on this occasion.

Ms FINLAY - I suppose, which is interesting to me, because obviously there's a lot of learning that has to happen from this side of the table and we don't have all the people on that side of the table. I'm interested, and perhaps this goes to the in-flows question and stuff as well, that in poor financial years - not poor operating years, but poor financial years - how there's a big increase in valuation and then what that would contemplate for the year ahead when we're

asking about modelling, about challenges and all that. Those two things don't seem to balance in my mind.

Mr BOLT - No, I should have made that point, sorry. What I meant to say - and, Tim, I will defer to you in a second - there's a difference between an immediate downturn due to a couple of years of dry, and a long-term projection which will have in it implicitly other down years, but other up years. What you then get is the average outlook discounted to them to the current day. That's why a short-term downturn and a long-term - how can you put this - upgrade of our expectations seem incompatible, but they're not.

Ms FINLAY - Yes.

Mr BOLT - Maybe Tim, you could add to that.

Mr PETERS - First of all, in regard to the asset revaluations, there's an accounting standard requirement: we'll look at the value of the assets every year -

Ms FINLAY - Did you just say every year?

Mr PETERS - Every year.

Ms FINLAY - All of your assets every year?

Mr PETERS - All our generation class assets - that's dams, the power stations, et cetera; not things like motor vehicles or anything like that. That valuation is performed internally but is also audited. Part of that valuation includes what we think is a long-term price curve, what we think the market is going do out into the future. We compare that model with other external models.

We have that long-term price curve, and we compare it to other models in the market. That model then feeds into our asset revaluation. That asset revaluation is over a 50-year period. When we have things like Marinus coming on board and we see an uplift to our profit, we should see a corresponding uplift to the value of the assets. When we do that valuation which is around 30 June, we have what we think our short-term profits are going to be, but also our long-term, so we lock that value in at that point in time.

Ms FINLAY - Can I ask a clarifying question? You said this occurs for your generating assets every year. Did you say there's a larger revaluation that happens every five years?

Mr PETERS - I think the Chair said five years, but from an accounting point of view, from a standards point of view, we will look at that every single year. It's something that we've done over the -

Ms FINLAY - What was included in these financial - as I'm trying to compare it to something I know. Back in local government years we used to do revaluations much less frequently and so they were more volatile. Then they implemented stepped valuations in between. Is this valuation a result of a five-year consideration, or next year will there be another one and another one? Is it an ongoing -

Mr PETERS - Every year we will look at the valuation of the assets. Sometimes those valuations result in the assets not moving. As there's new information that comes to light, as we see information come through the AEMO ISP, as we see things like gas closing, as we see things like Marinus coming on board, every time you roll forward a year, your information gets a little bit crisper. That new information is fed into this particular asset valuation.

Ms FINLAY - Can I ask one more question?

CHAIR - No, because you've asked about 10 questions.

Ms FINLAY - You're not stopping me, so I just keep asking until you stop me.

Mr BAYLEY - I will butt in then. Thank you, Chair.

CHAIR - Next time I'll stop.

Ms FINLAY - That's how it has worked all week and all last week. I just keep asking.

Mr BAYLEY - I have a question for the Chair. In the final investment decision on Marinus, it specifically references meeting criteria 5 - Significant long-term positive returns to Tasmania, Hydro Tasmania, Hydro Tasmania Advice 2025. It models a central case, which is what we've talked about already, $470 million returns, a conservative case of $210 million and an optimistic case of $670 million returns to Tasmania. I think higher wholesale power prices are embedded in here. Is that advice you have provided the government something you can table and provide to the committee?

Mr BOLT - That is getting to the point of being pretty sensitive commercially. I would be reluctant to give that undertaking.

Mr BAYLEY - It is a significant piece of information upon which the government is basing a billion dollar-plus investment that will -

Mr DUIGAN - If I may -

Mr BAYLEY - on the evidence provided, raise our electricity prices.

Mr DUIGAN - just to provide some context about why that is such a significantly sensitive piece of information. There has been a lot of work done to keep that out of the public realm, particularly the realm of the Commonwealth Government which is very interested in knowing and understanding what potential revenues to Hydro look like, and what support they might bring to the table.

Mr BAYLEY - Have those negotiations concluded?

Mr DUIGAN - Look, they are, but I think -

Mr BAYLEY - The Tasmanian people obviously have an interest in this.

Mr DUIGAN - Yes, true enough, but you know, the Commonwealth will ask Tasmania to use Hydro to do various things it wouldn't ask other states which don't own their generation

assets. They will continue to do that. In discussions with some of our major industrials, these are very real and live discussions and there is good reason, for the interests of Tasmania, to hold our cards a little close to our chest on this.

Mr BAYLEY - Look, I hear you're not going to release it. Can I ask, what are some of the fundamental assumptions that sit within that kind of modelling? For example, do you model - obviously, there's an increased level of trade, and I hear that, but is it modelled on higher wholesale electricity prices?

Mr BOLT - Well, it starts first and foremost with projections of - and these vary of course - of demand supply and the costs of each of those. To the best of my understanding, what then comes out of that are price projections. They're not inputs to it; they're results of it.

It is a pretty rigorous process that I can say, because the organisation, Hydro Tasmania does have our in-house modelling capability. It is very sensitive, and it is something that anyone looking to contract with us would be very interested in seeing disclosed. That's one of the reasons, as well as the sensitivity the minister mentioned, why we'd be keeping it pretty closely guarded.

With all that said, can we say anything more about how the modelling is constructed so we can give Mr Bayley some assurance about the rigour with which we do this?

Ms WATSON - I was going to touch on the point about the shift in Hydro Tasmania's role, as we move to playing more of that firming role. The intent behind that is that we're capturing higher prices so that every drop of water we're expending actually is more valuable in the market. That's one of the key assumptions underpinning that expected uplift in profit - is that we are then capturing those higher priced moments. Having a larger link to trade over means we can capture a bigger proportion of those.

Mr BAYLEY - That's the spot prices? Capturing the higher spot prices?

Mr BOLT - Yes.

Mr BAYLEY - And what about the assumptions around the wholesale electricity prices?

Mr BOLT - The spot price is the wholesale price. We are simply capturing the end of the wholesale price spectrum, which is high priced, because we're leaving the rest of it to when there's a sufficient surplus of wind and solar relative to load, so that we can focus our Hydro resources where we earn our money towards those high end areas of the cost curve or the price curve, so to speak.

Prof RAZAY - The Huxley Hill Wind Farm and the solar farm on King Island, they provide a good proportion of their energy. What proportion comes to that and is there any future capacity to increase energy generation?

Mr BOLT - On King Island specifically?

Prof RAZAY - Yes.

Mr BOLT - I think that's probably best answered by Rachel. Perhaps we should say that as a broad overview, both on King and Flinders Island, Hydro has shifted the balance of energy supply from entirely diesel to a substantial share of renewable capacity. Right now, on King Island, wind power is somewhat down because of a damaged blade which will be repaired, and refurbishment of different turbines. That's a temporary issue that has increased the reliance on diesel for the time being.

Is there capacity to increase it? Technically, I'm certain there is. Obviously, that comes at a cost. There are no current plans that I am aware of to do that, but -

Ms WATSON - Can I chime in at that point?

Mr BOLT - You might chime in at that point. I would be happy to be corrected because I have to tell you, I think these islands are an opportunity to demonstrate how you can make a renewable system at a living laboratory scale effective. So long as we don't miss, pardon the expression, with the supply security that the islanders would obviously be expecting us to give them.

But on that point, Rachel.

Ms WATSON - Your question was also about diesel, so we have been burning more diesel in the year that we're discussing today because we've been refurbishing the Huxley Hill Wind Farm, which started in September 2024. We're investing $11.5 million in upgrade works to that, which will extend the working life of those wind turbines by at least 10 years. We're also, as part of that upgrade, including a new battery for the hybrid energy system. To Richard's point, that also gets us one step further to having an isolated off grid that is renewable supported that has its own storage. Then we will be able to use that battery instead of burning diesel at times when we're able to put extra energy into it and then draw it down later in the day.

Prof RAZAY - What proportion of the energy come from the clean energy of those two?

Ms WATSON - On King Island, in 2025 only about one third came from renewable energy and two thirds was from diesel, but that was a change from previous years. That reflected the fact we were working on the refurbishment of the wind turbines.

Mr PETERS - In regard to King Island and the islands, there are times during the day where the islands are 100 per cent renewable and the diesel is there to back up when the wind's not blowing or the sun's not shining or the batteries have been discharged. We have proven we can do it, but at the moment there are times where the diesel does need to back it up.

Mr BOLT - I will add there are years in which more than 50 per cent has come from wind and solar across that.

Mr SHELTON - As I only get one at a time, I might go for two this one. It is an extension of that because I have a question on King Island and the Huxley Hill Wind Farm and the refurbishment. We've always been told wind farms have a life expectancy of about 25 years. This one is 27 years old and therefore due for a refurbishment. What's involved in a refurbishment? You mentioned $10 million. Is it just the head, the turbines get replaced, or the tower? I'm curious to know what is involved.

Mr BOLT - It's a fine question and there could be a very fine answer.

Ms WATSON - Delighted to answer. We're going to upgrade the turbines from the ground up. That means refurbishing two of the towers, replacing each of the nacelles, which are the top sort of horizontal sections that contain all the power generating elements. Where we can reuse or keep using the existing structural elements like towers and foundations, we've tested those, refurbishing them, retaining them. We are also restoring the blades, which is the third major component of the turbines. We have a specialist contractor on site at King Island doing that. The nacelles have been supplied as refurbished units from the original manufacturer of Vestas in Denmark.

Mr SHELTON - Thank you. My real question is renewable energy has always been part of Tasmania's power system. As the government progresses our energy agenda, will we see the energy landscape diversify both at the generation level, but also at the jobs level, a significant employer within Tasmania? Can you please outline what Hydro Tasmania is doing to inspire and encourage young Tasmanians to consider careers in the renewable energy area?

Mr DUIGAN - We have before us a great opportunity for young Tasmanians to get good jobs. I was at Bell Bay Aluminium and talking to some of the apprentices there about the opportunity, not only at Bell Bay Aluminium but as a young electrical engineer the world is your oyster, and Tasmania is a great place for you be. The government's very cognisant of that growing national demand and we will see Marinus Link being the obvious one with 2000 jobs at peak construction.

I spoke last week about the steps government's taking about ensuring impacts to our workforce in the lead up and throughout these projects is being considered. However, beyond the immediate impacts to our Tasmanian workforce, it's important we're looking to the future and that next generation of workers is aware of the great opportunities. I am pleased to highlight some of the work Hydro Tasmania is doing in this area through their education programs, Generation Hydro and Girls in Power, which are designed to make STEM accessible and fun for school students across Tasmania. The programs provide students with hands-on challenges and creative problem-solving experiences relevant for a variety of STEM careers.

Hydro Tasmania also hosted five work exposure programs in the last financial year, and partnered with the Beacon Foundation to deliver two growth-industry preparation programs to raise awareness of careers in renewable energy. It's great to have that tangible impact that Hydro Tas is having in this space. It's good when you go to Agfest and things like that, to see Hydro represented there, and people pedalling the bike to run the slot cars and all that sort of stuff. It starts young and it lights a fire in somebody, so I think it is one of our profound opportunities to provide jobs for the next generation.

Ms FINLAY - Minister, I am very keen for an update on Flinders Island. A lot of that response was to do with King. First, a clarifying question - but it's their question, not mine: are there only two turbines on King Island? You mentioned two being refurbished, two of the towers. Are there only two towers on King Island?

Mr PETERS - I think it's five, but I will double-check.

Ms FINLAY - Oh, so it's two of five being refurbished?

Mr DUIGAN - Yes.

Ms FINLAY - In terms of Flinders Island and the status of how much of a percentage through the year it relies on renewable, that would be great.

Ms WATSON - All of this is set out in our annual report, too. I'm looking at page 29. In 2025, again, we had about 4000 megawatt-hours supplied by wind and solar, and 2700 by diesel.

Ms FINLAY - They do alright. Is that fairly consistent year to year, that sort of -

Ms WATSON - Yes. The wind and solar output, looking at the trend across this page, has been increasing. If I'm right in saying this, a recent solar installation perhaps has gone into Flinders, I may not be right -

Mr PETERS - No, onto King. Just to confirm: there are five on King Island and there are two on Flinders.

Ms FINLAY - Another two on Flinders as well. Thank you for that, I appreciate that.

I've spent a bit of time talking to you, minister, and also through you to TasPorts, around the renewable hub at Bell Bay. I'm interested in Hydro's role in that. If you can put some understanding on your role in delivering that offshore wind hub at Bell Bay, and how you feel your role in that is progressing, in being able to be a party to proponents offshore; are you a partner in the project at the port?

Mr DUIGAN - Thank you. Renewable offshore terminal, the Bass Strait offshore terminal?

Ms WATSON - We've made public our market engagement framework which is guiding and directing the expression of interest we've put out now. My expectation is that a project like an offshore wind project would also come in the door through that sort of project. If they're advanced enough to be considered to have an offtake agreement with us, then I would expect to see them lining up with the other developers. To my knowledge, we're not participating in the offshore wind project. I'm not sure if that's what you were asking, but -

Ms FINLAY - Yes. I was wondering if you had a role in it. No?

Mr BOLT - Not that either of us are aware.

Ms FINLAY - So only in terms of the power agreements that you might make with an offshore proponent. Okay, thank you.

Mr BAYLEY - My question is to the chair. Chair, in relation to Lake Rosebery and the oil spill from earlier in this year: I understand that was a legacy Hydro site that had perhaps been through other hands, the West Coast Council, before it went to the person who owns it now. Nonetheless, I'm interested to know whether Hydro feels not necessarily a sense of responsibility for that, but a sense of responsibility for legacy industrial sites that stayed over, and what you've done since that incident to audit those ones, whether they're in your hands or

not, and what steps you've taken to audit and to address and to try to get ahead of any other potential environmental problem and/or human health problem in that regard?

Mr BOLT - An important question, thank you Mr Bayley. Yes, that question did arise as a result of what happened at Lake Rosebery. I should commend the staff, at a difficult time of the year in some ways, how they mobilised to deal with a completely unexpected event, as you say, a legacy asset passed through several hands; but not only was that done with great application from an unfortunate start, we've certainly asked the question, well, where else might this happen? On the detail of that, I don't know if there's anything you can add, Rachel?

Mr BAYLEY - When was that question thrown up?

Ms WATSON - We do maintain a register of contaminated waste sites and therefore manage the obligations that come along with that. So we're proactively reviewing any similar water-storage infrastructure, both that we currently own and that we have previously owned, to make sure it is being managed to a high standard. To your question about responsibility, it was no longer our site, but we really stepped up in that instance and did our best to -

Mr BAYLEY - There's no criticism there; I wasn't pointing the finger. I was trying to understand your sense of responsibility and acknowledge the work that many people did.

Mr BOLT - No, no that was understood. It's just worth putting on the record that we didn't stand on ceremony and say, 'Oh look, not our jurisdiction, therefore can we find somebody else to do it?' We just thought let's get on with it and ask that question later.

Mr BAYLEY - The collective response to that was very good, I acknowledge. Thank you. One last one: Professor Razay asked questions about dam works. I want to get an update on the Pedder impoundment dams. Edgar Dam was mentioned. What's the expected completion cost of those works? When it comes to Scotts Peak, where are we at in terms of permits? When will you seek to get a works permit, and what's the latest cost on that? The last one I heard, I think, was $99 million up from $50 million, but where are we at with costs on Scotts Peak?

Ms WATSON - Edgar Dam is a $35 million project budget and we're on track to complete that on budget. There were some early delays in the project but now it's running well. For Scotts Peak, we've just launched the detailed design for that project, and so we need to get that work done in order to get a final cost number. We won't know that until we've gone through the design process.

Mr BAYLEY - And just timelines, in terms of seeking a permit on that?

Ms WATSON - Again, my expectation would be that that will be dependent on the design itself. I'm not sure that I've got good information right here on timeline for a permit.

Mr BAYLEY - Works permit and EPBC referral, obviously?

Ms WATSON - Yes, we think the design work will be completed in FY 2027 and FY 2028. At that point, we will be seeking the environmental approvals, so I think that confirms that linkage I was suggesting between making sure we understand what's involved before we will be in a position to apply for the environmental approvals.

Mr BAYLEY - Do you expect the cost to be higher than the $99 million latest estimate?

Ms WATSON - Well, there's inflation and construction costs.

Mr BAYLEY - Of course, nothing's cheaper.

Ms WATSON - That's right: but we do need to do the detailed design work first. We can't determine the required capital investment at this stage.

Prof RAZAY - One of the main challenges in providing energy to the community will be how to store it when you have oversupply of it. We know a lot of investment about batteries and costs are coming down. What's the future planning regarding investment in batteries?

Mr BOLT - I will certainly ask Rachel to elaborate on this, but we're very blessed in Tasmania to have the deepest storages in the country of energy. They're not batteries obviously, but they are of the collection of dams, particularly Gordon and the Great Lake. We are certainly very focused on looking to increase the storage capacity, should it pass all the tests and the value propositions to sustain itself, by way of the Cethana pumped hydro project.

Looking at that we would say one of the tests of whether that is worth proceeding with is going to be exactly your point: the declining cost of batteries and the potential for them to have longer discharge times. In our increasingly refined advice to government, we will be testing the question of: will batteries ultimately be a more competitive option? On our current analysis, that's not the case, but the analysis is not over yet. As to whether or not we are investing in batteries beyond that, well, because we have such depth of storage here and also because this is a technology that private investors are quite capable of developing and adding to the system, that's not as strong a focus for us as our own hydro assets are, except, of course, as we've been hearing on King and Flinders Island where it's an important adjunct to the renewable output of our facilities there. Having said all of that, is there anything you want to add?

Ms WATSON - One of the things that I find most exciting about the incredible assets that Hydro Tasmania has is in fact these deep storages that can generate for weeks and weeks and weeks at a time, particularly Gordon and Great Lakes Schemes. The peaking role, the firming role, that we've been talking about this afternoon is us being in a position to hold back energy in the form of stored water. In my mind, that's better than a battery. A battery has to have energy put into it before it can then discharge it and give it back out again, and you lose some in that process. Batteries will play an important role in the market going forward, no question, but in Tasmania, the fact that we don't have to put energy in, but we can put water in, and we store it that way and then when we release it, it becomes like discharging a battery, then that's fantastic. That is an advantage that Tasmania has over almost everywhere else.

As Richard mentioned, pumped hydro gives you that long-duration storage. At the moment, most batteries being built in the Australian market are one hour, two hours, maybe four-hour storage; people are talking about eight hours. Cethana will have 20 hours of storage. That's what we call deep storage and that will be very effective in helping us store energy when there is a surplus, as we were talking about before, and then being in a position to discharge it again later on when the market needs it.

Prof RAZAY - So nice to hear such a wonderful explanation. That's great, thank you.

Mr SHELTON - Minister, there is an old saying: there's nothing more constant than change, and Tasmania will see a lot of change going forward in the future. Project Marinus will be the catalyst for substantial change in the way our energy system operates, along with the projected weather changes. Ensuring our state is in a good position to manage all this will require collaboration between a variety of institutions. How is Hydro engaging with other long-standing Tasmanian institutions to ensure strong outcomes for the state in the future?

Mr DUIGAN - I take your point about change being pretty constant. We're seeing plenty of change in Tasmania and things on the horizon, noting that we are so fortunate that our hydro stations are not coal-fired power stations and that they would be shutting down in the next 10 to 20 years. We should all thank the great foresight of people who have gone before us for that. In terms of the change management and Hydro's collaboration, I will ask Hydro to discuss that.

Mr BOLT - I'd like to elaborate on that. We regard, and I certainly regarded it as important when I arrived, to see what we could do to strengthen our relationship with UTAS, which was already a vigorous one. It's an important agreement that we have with them covering three basic areas: skills and future workforce; R&D, research and development; and, of course, community engagement. It will leverage the complementary capacities of both organisations as we seek to adapt to a future that is both opportunity and risk in a changing climate, a different energy system and keep Tasmania at the forefront of clean energy provision. Here's a few examples, if I may, on this.

Mr BAYLEY - Thirty seconds.

Mr BOLT - Thirty seconds to go: I can speak very quickly. I will summarise. There is a $10 million grant concerning future grid technology -

CHAIR - The time allocated for scrutiny of HydroTasmania has now expired, I'm afraid.

I thank minister Duigan, office holders, board and staff for your attendance and our staff. Thank you to the committee for your participation.

The witnesses withdrew.

The Committee adjourned at 6.30 p.m.