

Minister for Primary Industries and Water
Minister for Energy
Minister for Resources
Minister for Veterans' Affairs

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12 DEC 2019

Hon Ruth Forrest MLC
Chair
Government Businesses Scrutiny Committee 'A'
Legislative Council
Parliament House
HOBART TAS 7000

Dear Ms Forrest

QUESTION ON NOTICE

Thank you for your letter of 5 December 2019 seeking additional information following the appearance of Hon Guy Barnett MP, Minister for Energy, before Government Business Scrutiny Committee 'A' on Thursday, 5 December 2019. I am responding on Minister Barnett's behalf as Acting Minister for Energy.

Please find the responses to the questions as follows:

1. Please provide the business case documents for Basslink.

The final business case for Basslink was presented to the Board of Hydro Tasmania in 2002. It included modelling based on best available information at that time as well as assumptions about the future. The Business Case cannot be provided because it is confidential, including containing confidential information of Basslink Pty Ltd.

2. How does Project Marinus fit into the national competition framework as a regulated link?

Regulated links can sit alongside merchant links, and have done so in the past in Australia. Both Murraylink and Terranora link commenced service as merchant links alongside regulated interconnectors.

There is nothing in competition law that prevents a new regulated interconnector being constructed and operated alongside an existing merchant interconnector. Indeed the reverse is true, it would be anti-competitive to restrict the development of new interconnectors where they provide benefits to the market.

3. What specific regulations/rules would need to change to enable the use of existing power distribution networks to share across other electricity meters on a farm?

This is a complex issue and one that is still being worked through by various stakeholders however there is currently nothing by way of economic regulation, nationally or at a State level, that prevents primary producers with embedded generation infrastructure from exporting surplus generation or stored energy into the distribution network for use by other customers – including other metered points of supply located on the same property as their embedded generation.

However, while farmers with embedded generation can inject the electricity they generate into the distribution network, and potentially receive a payment from their retailer for that energy in the form of a feed-in tariff, it is the retailer that on-sells that electricity to end users. This means that there is no market mechanism that currently enables a farmer to notionally use the electricity they export to the distribution network at another metered connection point on the same or a neighbouring property.

At the November COAG Energy Council the Minister for Energy, the Hon Guy Barnett MP advocated for a new regulatory toolkit (regulatory sandboxing) to be implemented to enable innovative new models to be trialled within the current rules – with the objective being to support rule changes that benefit the market and consumers. The Minister advocated for these changes to be implemented by the third quarter of 2020 to provide businesses with the opportunity to trial innovative approaches and new technologies, for the benefit of customers.

The Regulatory Sandboxing reforms include first, the ability for the Australian Energy Regulator to temporarily waive compliance with regulatory obligations, and secondly for the AEMC to temporarily change rules to allow trials of new business models and new commercial and technological advances that have the potential to deliver customer benefits.

Once trials have been undertaken and have been successful in delivering benefits to customers and the market, then the pathway to regulatory extension and reform would follow the normal rule change process. Having a successful trial would be very likely to result in a non-contentious, fast tracked rule change, with the waivers and exemptions that applied during the trial continuing until such time as the longer term rule change is finalised.

The above means that where someone wishes to explore a business opportunity for an innovative product or service, and where there is a regulatory impediment to the product or service, then there will be additional flexibility, provided that there are still basic customer protection measures in place. Peer-to-peer trading could be one such service.

A third element is for the AER to develop an innovation inquiry service that could provide guidance and facilitation for trials that are feasible under current regulatory arrangements (ie, that could commence ahead of any law changes).

It is possible that some peer-to-peer arrangements, which operate on trading platforms such as those supported by blockchain technology, could operate ahead of the regulatory changes, as they operate outside the normal metering and market settlement arrangements.

Energy technology and the electricity market are changing. Technological advancements and reductions in the cost of batteries, solar panels and energy management tools mean the way that farmers source, use and share energy via the distribution network will also change. TasNetworks is committed to ensuring that the distribution network is able to host embedded generation within a

rural setting, and to providing primary producers with cost-effective access to the electricity they need, in a way that benefits all Tasmanians.

Yours sincerely

A handwritten signature in blue ink, appearing to be 'Peter Gutwein', with a long horizontal stroke extending to the right.

Hon Peter Gutwein MP
Acting for and on behalf of the
Minister for Energy