1 February 2024

The Chair Joint Select Committee on Energy Matters in Tasmania Parliament of Tasmania Parliament House HOBART TAS 7001



Cleaner. Smarter. Diverse.

P.O. Box 393 Burnie Tas 7320 Phone: 03 6419 4122

Website: www.tmec.com.au

Via email: <u>energymatter@parliament.tas.gov.au</u>

Re: Joint Select Committee on Energy Matters in Tasmania

The Tasmanian Minerals, Manufacturing and Energy Council (TMEC) welcomes the opportunity to make a submission on energy matters as identified in the Terms of Reference dated 9th November 2023.

About TMEC

TMEC's membership base represents an important wealth creating sector within the Tasmanian economy. The combined minerals and manufacturing sector employs 18,484 people and contributed \$2.795B in exports in the 22/23 FY. Most of our members are based in regional areas of Tasmania and therefore provide critical employment opportunities away from public funded employers. Minerals exports alone account for 63.2% of Tasmania's commercial exports and is the foundation stone of many regional communities with 4,536 direct jobs and it provided \$54.9M in royalties and \$2M in rental payments to the State Government. **Importantly, the industry has the potential to increase mineral volumes as well as manufactured goods exports and thereby increase the value created within the Tasmanian economy.**

A. Challenges related to energy supply in Tasmania.

The primary points of this submission are.

- 1. The current performance relationship between the State and the energy entities is not delivering the efficiencies to bring Tasmania's wholesale electricity price to an internationally competitive cost.
- 2. The current Wholesale Contract Regulatory Instrument utilises variables to calculate wholesale price which enables inflated price calculations.
- 3. The legislated Tasmanian Renewable Energy Target of 150 percent (from a baseline of 10,500GWh) by 2030 is not substantiated with approved projects and this energy is potentially needed by existing businesses if all plans are realised.
- 4. Tasmania needs to develop an innovative way to package the needed renewable electricity developments if it is going to attract suppliers, construction and investors given the scale and urgency of the energy transformation needed in the Eastern mainland states.
- 5. The current prudent storage limits are likely to need increasing to address both the effects of climate change and the new generation capacity.

Challenge 1

The perennial question is whether a state-owned utility business provides consumers with the service levels and price comparable with what a commercial operator could achieve. What is often not an issue is whether the size of the dividend paid back to the Government is sufficient. In most years the entities meet this obligation. A reliable dividend (and other financial options through debt and balance sheets) remains a compelling reason for this arrangement to continue. That is without factoring in the community response and political risk associated with privatisation. It is unlikely Tasmania will see competitors for Hydro Tasmania and TasNetworks. Aurora is exposed to competition through other retailers but as at 2021-22 FYE, competitors serviced 5.2 percent of the available market.

TMEC has long held the view, and that continues to be the case Tasmania is best served by government owned entities. The primary reason to date is the size of the jurisdiction has not been sufficient to create market forces to drive competition. The 2012 Parliamentary Enquiry into Energy identified options to introduce competition to address concerns with Hydro Tasmania's monopoly but there was insufficient commercial interest. Therefore, the challenge is to have in place suitable competitive forces, set by the Government and in which the Board and Management of the utility business strives to achieve. TMEC holds the view this aspect is missing from the current structure and relationship between the Shareholder Minister/s and the entity. This would be a win-win arrangement, the consumer knows its utilities are performing in line with comparable benchmarks and the dividend still sits on top of this. The consumer gets a more competitive price, the government gets its dividend while the Boards and Management of the utilities would be exposed to much greater commercial pressures to perform.

Another benefit of public ownership is the ability for the Government to set the priorities it wishes the Board to include in its strategic planning. This often extends to community service obligations and while these are typically of a non-commercial benefit, they add to the sense of value and purpose the state-owned entities provide. TMEC's perception is this is carried out appropriately and welcome the continuation of this approach except for the following point.

What is less obvious is whether the entity is being leveraged for the greater good of the state. Where contracts are entered into, or resources (human, physical and financial) are leveraged by the entity to facilitate an outcome which ensures Tasmania is best off overall.

An example where potentially GBE centric decision making may be jeopardising the States industrial growth ambition is the decision to remove the supplementary generation which Tamar Valley Power Station (Gas) had been providing the state with up until 2019. The loss of this supply has resulted in the state going from a surplus to overnight being balanced. This appears to contradict the state's ambition to attract new loads. It certainly came as a shock to TMEC who had been advised there was as much as 2,500GWh of energy available. One of the major attractions of the Bell Bay Industrial area was the available energy and infrastructure. This point was made during trade delegation visits.

While gas is expensive and is unlikely to be a long-term source of energy, the fuel and the asset could be leveraged to provide "instantaneous" additional electricity which assists with the business case for a renewable generator to establish a wind or solar farm and then the gas power station ramps down once the renewable capacity has been established. Tasmania could be open for business today, whereas all projections suggest it may not be until late in the decade before industrial scale electricity become available.

"The strategic change where Hydro Tasmania is being relegated to a small part of the Tasmanian renewable energy generation has not benefited from public debate".

The other issue which is significant and has not yet been framed for what it is – is the direction of Hydro Tasmania no longer being the sole generator. Private and public companies, based in Australia or overseas are currently seeking to establish new renewable generation projects which has in time the potential to make Hydro Tasmania a state-owned entity, competing with private entities and may well be the smaller generator in time. While this change is not the same as selling Hydro Tasmania, which to this day has been likened to political suicide, it will relegate the importance of Hydro Tasmania within the overall energy landscape. TMEC is not aware of any public communication about the implications of this change.

Challenge 2

Not only is there sufficient economic tension being applied to operate the utilities at the optimum efficiency, but the current Wholesale Contract Regulatory Instrument further shields Hydro Tasmania from having to perform efficiently. The Instrument determines a price to be charged and therefore this guarantees a revenue. Few if any of Tasmania's businesses have the luxury of a guaranteed price for their product.

The Instrument was established to demonstrate despite Tasmanian having a monopoly generator (Hydro Tasmania), pricing was determined based on a competitive market. This was an important signal to existing consumers as well as investors that electricity pricing in Tasmania will be on par with Victoria. Victoria was competitive against the other generators in the NEM and Australia had some of the lowest electricity costs in the world. Sadly those statements re Victoria and the NEM no longer remain true.

The current Wholesale Contract Regulatory Instrument utilises an algorithm which references variables from the Victorian electricity market (and NEM) in addition to multiple other variables. The use of the variables made sense at the time it was established in Tasmania because Victoria had a competitive market with multiple providers. Since then, the Victorian market as has the rest of the NEM has become highly disrupted with orchestrated shortfalls driving record high prices and then further disrupted with the introduction of renewables.

In the absence of genuine competition, Tasmania does need to have an algorithm which assists with determining a fair price to charge. This remains an important consideration for any investor as well as for existing entities to know there are some controls in place to overcome the monopoly held by the Electricity Utilities.

"The current Instrument holds Tasmania to a past era and is inconsistent with multiple contemporary factors and therefore to leave it unchanged will be economically damaging for generations of Tasmanians."

The Instrument, in its current form references multiple variables from the Victorian electricity market which no longer make sense to use. The Office of the Economic Regulator is currently carrying out a Pricing Investigation. TMEC holds little hope anything material will eventuate, and it has been made clear there is no appetite within the Government to make any material changes. The Joint Select Committee is potentially the only hope for the Government to get an appetite.

Additionally, Tasmania today has several legislated objectives regarding how its energy will be leveraged. Achieving the Governments stated objectives such as being a global renewable energy export hub, a decarbonised transport and industrial sector, \$15B in exports by 2050, etc needs to have corresponding changes made to its electricity price determinants otherwise the aspirations are unlikely to be achieved.

Challenge 3

It remains unclear how Tasmania will supply the electricity required to achieve its legislated objective of 200 percent renewable electricity by 2040.

What is more certain is, the electricity will be consumed if it is available and provided it is priced competitively.

TMEC has determined the consolidated electricity projections for arguably the bigger 15 consumers will increase by 2,400GWh by 2030 (see Chart 1). This equates to 274MW of Hydro capacity (which is currently about 90 percent of Poatina Power Station) or potentially 1000MW of intermittent solar and wind. TMEC's information shows the current baseload demand (which utilities would understand), but also shows aspirational growth – that from incrementally increasing output each year to offset costs as well as step change increases with the adoption of new technology. The other "sleeper" in the projection is the electricity anticipated to decarbonise the businesses that use fossil fuels and / or produce emissions from chemical reactions which may be captured in a new form of technology one day. Decarbonising includes changes such as battery electric vehicles instead of diesel, or to convert existing gas heated industrial processes to electrical based heating, or hydrogen electrolysers to produce a replacement for a fossil fuel. The challenge with the decarbonisation examples provided is knowing when the technology will be available at scale and when it will be affordable.

"Tasmania needs more renewable electricity to sustain the existing industrial and manufacturing business who are key drivers of employment and economic activity".

TMEC understands the Office of the Coordinator General (OCG) and Renewables, Climate and Future Industries Tasmania (ReCFIT) have the remit to attract new generation and new loads which is intended to deliver the 200 percent capacity target. Hydro Tasmania have plans to add capacity as well as serve as a supplier of firming electricity to supplement the intermittent generators.

Marinus Link also features in this puzzle but overall, there are many missing pieces.

Should Battery of the Nation and Marinus Link proceed, its contribution will be recognised from the mid 2030's, which will be materially important, but of no assistance in the near term. What is missing is where will the generation come from this decade. Why this is important is some of this demand will come from existing Tasmanian businesses who may need the additional load to stay in business. TMEC is most concerned with the absence of a clear plan to increase generation capacity from 2024 – 2030. The most unequivocal symbol needed is to see the construction of wind farms underway in 2024.

Tasmania needs more renewable electricity to sustain the existing industrial and manufacturing business who are key drivers of employment and economic activity.

Adding to this challenge are the new proponents who have been welcomed to Tasmania only to find out there are shortfalls in most state-owned entities – be it electricity, water, approvals, land for accommodation. The cohort of potential new entrants are showing a combined new demand of 7,400GWh (equivalent of 850MW or nearly 3 Poatina Power Stations) by 2030.

Between existing industrial loads and new loads, noting the 10,000GWh projection of new electricity is not in the form of "bankable contracts" but surely the scale of this deficit warrants more than how OCG and ReCFIT have been resourced to date.

It is frustrating to see Tasmania's energy deficit labelled as "finely balanced" given the scale of the challenge and with 6 years to do this, there is no evidence to suggest Tasmania will be finely balanced in 2024, 2025 and so on.





Challenge 4

The national Government has set some very aggressive emission reduction targets and continues to direct multibillion-dollar schemes at incentivising and accelerating the development of generation, storage, and transmission assets. As is the case with most physical and financial systems, when there is a concentrated effort in one area, other areas are depleted as the overall quantity in the system is often constrained.

Keeping the lights on (and keeping election / policy commitments) with coal fired generators being shuttered will see the NEM flooded with projects to address the essentials of consumers (and voters) lives. It is difficult to see how

Tasmania will compete with the opportunities the other states will have and need. It is not as if Tasmanian existing consumers will have their lights and power go off, so the motivation and benefit of ensuring Tasmania bolsters its

generation capacity for Tasmanians remains marginal. Marinus Link and generation capacity to supply the NEM is the exception, but its purpose is primarily to provide some firming capacity to the eastern mainland states.

A key challenge for the Joint Select Committee is how to ensure Tasmania provides competitive generation projects at scale to compete for the most capable project resources? Getting this right will also assist in attracting investors as they too want some certainty which come from projects backed by highly capable resources.

Challenge 5

In 2016 two events conspired to show how quick energy security can move from the background to the foreground. The loss of Basslink – for an undefined time, together with low rainfall inflows plunged the state into some drastic responses. While most of the public saw little effect, major energy consumers suffered the consequences of highly evolved industrial processes being disrupted which took years to restore the operating efficiencies. Which had an adverse material impact on revenue and expenditure and the strain it placed on employees and contractors for an extended time frame.

"The importance of this asset needs to remain at the forefront for most likely two decades or until Tasmania's renewable generation exceeds all plausible scenarios".

A subsequent independent enquiry established new measures regarding prudent storage levels which remain well adhered to at this stage.

Modelling the changing climate, and what this does for rainfall inflows into catchment areas would be something Hydro Tasmania would be expected to do as a matter of routine. Ensuring the assumptions being used in the modelling can be substantiated and verifying actual data against projected data should be published as a means of informing the confidence level of the models.

Modelling will also need to extend to include the new capacity coming from new renewable electricity generators as will the role Marinus Link when it is functioning and how much electricity can be held in reserve based on interstate capacity.

Understanding the condition of the undersea connectors remains largely hidden from the public as does any plans to duplicate the link if that improves security ahead of Marinus Link.

Determining the appropriate Hydro dam water storage trigger points (Prudent Level, etc) for a dynamic market, which is growing will see the current levels change.

As HT transitions from providing all electricity needs to one with a mix of 24/7 and then firming for new generators, the question arises as to how much should HT retain in their dams? Theoretically the new generator will produce all that is needed for the 24 hours (based on average conditions) and therefore HT's water levels remain unchanged relative to today's consumption. What factors and what risks will be taken into account when there is another 10,000GWh of generation being consumed and there is an extended period of low rainfall, low wind, a fault with an interconnector?

Running Tamar Valley Power Station gas assets were the single biggest positive contributor to addressing the declining dam levels during the crisis. Gas remains a strategic transition source of energy, as identified in Tasmania's nation leading Gas Strategy. The importance of this asset needs to remain at the forefront for most likely two decades or until Tasmania's renewable generation exceeds all plausible scenarios.

Section	ToR Reference	Issue
1A	(a) i, iv	The absence of an effective mechanisms between the State Government and the energy entities to perform in line with comparable unit cost of production benchmarks from national and international jurisdictions. Is the State supportive of seeing Hydro Tasmania competing with private and publicly listed renewable energy generators to the point where the state-owned entity is no longer dominant and therefore the State's ability to direct has been reduced.
18	(a) i, ii	The current Wholesale Contract Regulatory Instrument determines a price to be charged based on an entirely different and dysfunctional market which bears little alignment to the factors' Tasmanian produced electricity is subject to.
1C	(a) i, ii, v	Existing Tasmanian businesses need a substantial increase in available electricity to support incremental growth, technology changeovers and decarbonisation changes. Add to this the proponents who also require electricity to establish their businesses in Tasmania, the potential 10,000GWh need is currently overwhelming the capacity of the state.
1D	(a) i, ii, iii,	The scale and urgency of the energy transformation needed in the Eastern mainland states when compared with the scale of the individual projects in Tasmania is likely to limit the ability to attract quality resources and investors.
1E	(a) vi)	The Prudent Storage Level needs to be dynamic to reflect increased on island generation and then in time if Marinus Link proceeds, what assumptions should be factored in in determining the appropriate level.

Summary - Challenges

B. Opportunities related to energy supply in Tasmania.

Challenge 1 Part A

The industrial and manufacturing sectors accounts for over 60 percent of electricity consumed in Tasmania and is likely to remain the case based on current proponents evaluating Tasmania as a base for new facilities. The same sectors have a similar proportional contribution to mercantile exports (60-65 percent). By default, the goods produced are destined for international markets and therefore being an internationally competitive exporter requires internationally competitive input prices which extends to wholesale electricity pricing.

Tasmania, with its hydroelectric generation supplemented by wind and solar should be capable of being in the lowest quartile for production costs globally. Tasmania has the renewable assets to be a globally preferred destination for investment for new industrial and manufacturing businesses.

Hence the Tasmanian government should be positioning its energy utilities to be competitive on a global basis – and not use a dysfunctional and disrupted NEM to measure itself against. Being the best of a bad bunch is not particularly aspirational and will certainly undersell Tasmania's full potential.

Tasmania should have relationships with global organisations who provide global wholesale energy data and use that to ensure the Boards are tasked with achieving a specific target cost. Clearly this would be commercially sensitive, but if an index was used publicly, consumers would form a better sense of whether Tasmanian Wholesale prices were trending towards the first quartile or away. This in turn attracts a degree of oversight which does not appear to be the case at present.

Taking this approach will not deliver results within an election cycle and therefore this objective needs to be one the Parliament supports and is not subjected to short and mid-term changes.

Please note, this option does not set the price at which electricity is sold for. It sets the performance and efficiency of the entities to minimise the cost of production. This option maximises the profit potential but does so off an internationally competitive break-even production cost. This benchmark is a win-win – the consumer knows their electricity supplier/s are operating efficiently and the dividend can still be provided at the amount it typically is today. The price electricity is sold for is a separate consideration outlined in Challenge 2.

The Parliament should establish targets for its Electricity Utilities based on relevant international benchmarks, particularly cost of production and the Minister of the day task Boards with developing and implementing the requisite strategic plans to achieve the targets.

Challenge 1 B

The technical reasons provided to explain why Hydro Tasmania will move its operating model from being a 24/7 generator for all consumers, to one which is in standby mode when privately or publicly owned generators have the solar and wind energy available, and switch to supplying consumers from its storage is clear. Noting the Hydro Tasmania assets have supplied base load for nearly 80 years, so can continue to do so.

What is not clear is the change this brings to the Tasmanian economy and importantly the Government's ability to leverage a state-owned entity such as Hydro Tasmania for its community service obligations, its balance sheet and other important levers. When other non-government owned entities have a bigger role in the electricity market than Hydro Tasmania does, Tasmania will potentially replicate the other state markets in the NEM. There is both benefit and risk in this approach.

The Parliament should establish a Panel or Committee to evaluate the benefits and risks to the running of the state if Hydro Tasmania's role in the electricity market diminishes.

Challenge 2

The current Wholesale Contract Regulatory Instrument needs to be reset based on the 2024 Market conditions as well as Tasmania's aspiration to be a renewable energy exporter.

The algorithm needs to give consumers and investors' confidence future prices are linked to competitive markets and therefore Tasmania is home to low-cost green electricity.

The algorithm needs to be updated and where variables which are based on "forward estimates" prove to be considerably different, these should be modified. This approach should be considered for variable which are either under or over when eventuating.

All indications received by TMEC to date suggests there is no appetite by the Government, Treasury and Hydro Tasmania to see this algorithm changed. Clearly that demonstrates their view on the benefit of the current model.

Parliament should be seeking from Treasury a contemporary algorithm for wholesale price which residential, commercial, and industrial consumers can see is truly competitive and considers aspirational goals to grow the Tasmanian economy in line with stated Government objectives.

Challenge 3

The State needs to create a mechanism which potentially can supply up to 10,000GWh of renewable electricity generation in the next six years. It needs to get the settings right to attract investment, support with efficient but rigorous approvals processes and support the implementation of de-risked projects which deliver commercially competitive electricity pricing.

The State should evaluate options to utilise its balance sheet to

- Offer to underwrite commercial terms which brings forward projects by proponents to Financial Investment Decision (FID) stage as a minimum, with strict commercial penalties to complete construction and commissioning. This permits the State to incentivise proponents who are capable of quick starts and due to the location of the generation site, rewards proponents who require minimal network augmentation.
- 2. Resource the various bodies accountable for project assessment and approvals to fast track the process, without reducing the rigour. (Noting the January 24, 2024, announcement by the Tasmanian Energy Minister regarding the Renewable Energy Approval Pathway (REAP) being described as a pathway for projects, such as wind farms and transmission lines, through the Major Projects Assessment Process but details are unknown at this point in time.)
- 3. Support resource sharing between proponents to minimise skilled labour being a constraint on construction and implementation. This also permits capability building of the Tasmanian workforce so in time more of these projects can be resourced by Tasmanian workers.

Resource ReCFIT to expedite the delivering 10,000GWh of new renewable electricity by 2028 with a remit to include directing and requesting support from all relevant Government Departments and SOE's.

Challenge 4

The scale and purpose (to increase electricity, as opposed to replace fossil fuel sourced electricity with renewable electricity) is likely to be shadowed by the essential projects in eastern Australia. This is likely to see Tier One Project Resources not overly interested in Tasmania's projects.

Tasmania needs to identify a means by which its multiple projects can be leveraged into a bigger project bundle which is attractive for Tier One suppliers to bid for Tasmanian projects. While the Victorian Governments reformation of the State Electricity Commission (SEC) goes some way towards this, it is not necessarily the optimum model for Tasmania. People familiar with Hydro Tasmania's early approach and that of the Snowy Mountains Hydro Electric Authority may be able to identify the elements of global planning – such that expert resources and machinery moves from site to site rather than each project competing against every other project. This competition will drive up costs and probably degrade the potential quality of the workmanship. Tasmania will end up with less GWh and delivery will take longer than planned. Both consequences will have a measurable impact on the state economy.

Investigate options for a consolidated project approach to minimise schedule conflicts which if left without attention is most likely going to drive up costs and delay availability of electricity becoming available to existing and new consumers.

Challenge 5

Determining the appropriate Hydro dam water storage trigger points (Prudent Level, etc) for a dynamic market, which is growing will see the current levels change.

While this requirement would be well understood by HT and other key stakeholders, the assumptions which make up the assessment needs to be shared with consumers. What assumption is made around TVPS and its role? Could biogas produced in Tasmania be in the mix for TVPS? What options exist to increase the interconnection between Tasmania and the eastern states? Does Hydrogen – as stored energy become part of the energy sources?

Increase the transparency and broaden the options deemed suitable as "stored energy" to ensure Tasmania's risk profile remains matched to its electricity consumption profile.

C. Operation of National Electricity Market.

While ever Tasmania has a physical link between this state's electricity network and the network along the eastern side of Australian mainland states, the state is a participant.

The challenge is to ensure Tasmania maximises the benefit of this connection and minimise the adverse aspects of the NEM.

As the mainland states transform their generation assets from almost exclusively fossil fuel based, to renewable, there are benefits for Tasmania. Importing ultra-low-cost renewable electricity (with some form of Guarantee of Origin) and exporting Tasmania's surplus renewable electricity when prices are high is a great revenue generating strategy for the state.

Will the reality of a changing dynamic market permit this to be the case – time will tell.

There is an application pending for the maximum wholesale price of electricity, currently capped at \$15,000MWh (indexed) to be increased to \$18,000MWh. The increased spread between the minimum price (can be negative) and the new maximum when approved does increase revenue potential. This will assist in increasing the revenue Hydro Tasmania can make from its electricity.

Federal Government intervention in the national gas market, which has been used to moderate prices supports consumers but potentially reduces investor value and potentially sustaining capital for the operator. The Federal intervention has largely attempted to manage supply and demand and threaten to impose penalties on gas producers is supply-demand drives too adverse of an outcome. Could the same occur in the electricity market and therefore some of the upper prices may not be realised. While this would be seen as positive for the consumer, it distorts the market which increases sovereign risk and may detract investors.

Outside of Tasmania, the NEM is in a significant state of flux and this volatility and political – consumer – environmental tension is likely to be the case for 10 plus years. Shielding Tasmania from the worst of the NEM and ensuring the state can trade during the beneficial times is critical to the Tasmanian economy being resilient and to grow.

The influence of the NEM has moved on from a sell or buy decision by Hydro Tasmania.

The NEM is the source of variables used to determine the price Tasmanians are charged for its Wholesale Electricity (which is different to the cost of generating electricity by Hydro Tasmania). As noted in Challenge 2, utilising variables from a dysfunctional market, undergoing significant disruption to set Tasmania's price is entirely inappropriate and needs to be urgently addressed.

Being connected to the NEM for the two flow of electricity does not mean Tasmania has to have all of the downsides of the NEM added to the state based pricing formula.

D. Marinus Link and associated energy power developments

The role and benefit of Marinus Link is likely to be contested for some time.

The simplistic purpose of being the conduit to export firmed mostly but potentially intermittent renewable electricity from Tasmania into the remainder of the NEM when demand exceeds supply and then import electricity via the same conduit when NEM prices are low, or Tasmania needs to conserve water storage levels makes sense.

The beneficiaries of this are the interstate consumers who need the electricity – particularly if the regular system cannot supply electricity (due to low intermittent generation, storages depleted) and the seller of the electricity and the infrastructure is the other beneficiary. Under this scenario the only Tasmanian based beneficiaries are Hydro Tasmania, TasNetworks, Marinus Link and other generators with PPA's directly into the NEM. Hence the cost of installation of these assets and the regular fees and charges to fund the initial investment and ongoing operational expenditure should be met entirely by the four named entities. The Tasmanian public and existing connected customers should be shielded from the costs of this operating configuration (store, export then import to store).

The reality is not so clean cut. The combination of new assets will potentially provide benefits to some Tasmanian consumers. Namely those who need to contract additional electricity as their needs are likely to be met by some of the new generators and then the need for new and augmented transmission and distribution infrastructure is required to link supply with demand. The challenge is for transparency to be in place for those who need this new equipment and ensuring not everyone is paying for the additional electricity and infrastructure. Whether Marinus provides energy security for existing consumers, who seek no additional electricity is debatable.

Marinus will also have a role to play in the task to increase generation capacity in Tasmania – ie new wind and solar assets. Once Tasmania's new generation capacity plateaus (at 200 percent), this application for Marinus will be phased out. Marinus can be a mitigating factor for a new Tasmanian load which requires electricity before it is available – a delay with a new wind farm, etc. In this case the decision making by new load proponents as to when to start a development is somewhat de-risked with the knowledge that import capacity exists to bridge the time between the demand coming on and the new generation becoming available. This feature does make Tasmania a more attractive destination than if it was not the case, but only matches what exists in the eastern states already with multiple interconnectors.

Can Tasmania do without Marinus – under today's generation capacity limit, Marinus is not needed – beyond the benefit of being a back up to the Basslink interconnector.

Under the scenario of 200 percent renewable Marinus is needed even if the 200 percent was fully consumed by new electricity consumers in Tasmania. While Hydro Tasmania and OTER can calculate the prudent storage limits, having more consumption does make the case for the storage levels to increase to cater for a low rainfall / low wind event. Therefore, the amount of water available to HT for generation reduces as more water needs to be held locked up "in case" it is needed.

The role of gas and TVPS becomes important in this scenario and the point is made elsewhere in this submission.

The decision to legislate 200 percent renewable electricity binds Tasmania into needing a substantive increase in the number of assets to generate (includes Battery of the Nation, new wind and solar), transmit and distribute electricity together with the necessary contingency assets to support reliable delivery of electricity.

Industrial and manufacturing consumers will be satisfied when the combined costs of the additional generation and the supporting infrastructure (Marinus, augmented transmission, etc) is understood and the expenditure can be justified against the "cost of sales" from utilising the electricity in Tasmania to generate saleable goods.

For consumers who have no need for any additional electricity and therefore the associated infrastructure but are asked to pay for it, then the sense of unfairness is justified.

Providing transparency to both cohorts is likely to be critical to winning over broad support for the investment.

TMEC appreciates the opportunity to provide feedback to the Joint Select Committee on Energy Matters in Tasmania and looks forward to continuing this engagement to ensure Tasmania has fit for purpose electricity legislations and regulations to underpin Tasmanians next biggest economic growth opportunity.

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

Yours sincerely,



Ray Mostogl Chief Executive Officer