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THE JOINT SELECT COMMITTEE ON ENERGY MATTERS MET IN COMMITTEE ROOM 1, PARLIAMENT HOUSE, HOBART ON THURSDAY, 20 MARCH 2025

The committee met at 9.15 a.m.

CHAIR (Ms Forrest) - Welcome, Adrienne, and your team from the Tasmanian Council of Social Service (TasCOSS), to the Energy Matters committee hearing. We appreciate the submissions you've put in and the two different submissions compressing the two inquiries into one.

Everything you say in front of the committee is covered by parliamentary privilege. That privilege may not extend beyond the committee hearing. It is being broadcast and being transcribed for our records. If there's anything of a confidential nature you wish to share with the committee, you can make that request and we will try. If that was the case, we try to do that toward the end of the hearing to try to separate the two parts of the hearing more cleanly. Otherwise it's all public.

Do you have any questions or anything before you start?

Ms PICONE - No.

CHAIR - Okay. If you have any questions throughout, please raise them. We've got a new member of the committee - swapped to the other side of the Table - more recently and Janie Finlay is online. I will ask you all to take the statutory declaration, introduce yourself and speak to your submission. We'll have questions to follow.

Ms ADRIENNE PICONE, CHIEF EXECUTIVE OFFICER, **Mr STEPHEN DURNEY**, SENIOR POLICY OFFICER, and **Ms KATHRYN SYKES**, LIVED EXPERIENCE ADVOCATE, TASCOS, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

Ms PICONE - I'm Adrienne Picone, the CEO of TasCOSS. With me are Kathryn Sykes, who's our lived experience advocate, and Stephen Durney, who's the senior policy officer at TasCOSS. Thanks for having us today.

We're very pleased to have this opportunity to appear before the committee and provide TasCOSS's perspective on energy matters in Tasmania. I really would like to welcome particularly Kathryn, who is our lived experience advocate, so you can hear firsthand from a community member about what it's like to manage their energy bills and pay their bills.

These types of inquiries hear from subject matter experts, industry groups or representative bodies such as TasCOSS, but I think what's often missed is the opportunity for the very people impacted by the actions of our parliament and decision makers to tell their stories about decisions that impact their daily lives and these are the lived experience subject matter experts.

As we know, energy is a complex issue and this is clear from the broad terms of reference for this inquiry that cover the challenges and opportunities for energy supply in Tasmania. TasCOSS's expertise in energy matters centres on energy as an essential service and ensuring

all Tasmanians, regardless of their means, have access to a reliable, safe and affordable household energy supply. Our key focus is on energy affordability for residential customers, in particular low-income households, because we estimate around 50,000 Tasmanian households are experiencing energy poverty.

The term energy poverty means being unable to afford the supply required to maintain a decent standard of living and good health. That is, if a household is rationing their energy by going without basic activities like showering, cooking or using their heater in order to pay their electricity bills - they're foregoing other essentials such as fresh food, medicine or rent, then they are experiencing energy poverty.

There are a number of components to energy affordability I would like to briefly touch on. The first component is price, which we don't intend to dwell on because we're not experts in this. We just want to refute the narrative that Tasmania has the lowest electricity prices in the country. Really, we can't claim to have the lowest regulated electricity prices in the country and this is confirmed by the Office of the Tasmanian Economic Regulator price comparison report that shows there are lower market prices across a range of tariffs in Victoria, New South Wales, Queensland and the ACT than Tasmania's regulated price.

While price is an important factor of energy affordability, what is more relevant to households is their bill, because if I were to ask householders what's the price of your electricity, most would not respond in terms of cents per kilowatt hour, but rather how much their bill is. It's a fact that Tasmanians have the most expensive electricity bills in the country because Tasmanian households use more electricity than mainland households. That is for reasons I'm sure you're familiar with: our cold climate, our low penetration of gas and poor housing stock that is incredibly inefficient.

Household energy consumption and, therefore, energy bills can be reduced by improving household energy efficiency performance, and a program of significant investment in household energy efficiency upgrades will reduce electricity consumption, improve energy affordability and help Tasmanian households to lower their electricity bills.

Low-income Tasmanians are more likely to live in poorly insulated and inefficient housing stock and spend a high proportion of their income on energy than others. They are least able to respond to increases in prices and have little capacity to invest in energy efficient measures that may save on power bills. Given Tasmania's housing supply shortage, renters do not have a strong voice to advocate for changes or improvements to their properties, given the potential for leases not to be renewed or the threat of eviction.

Renters often pay disproportionately high bills due to the poor energy efficiency of their rented property and are less likely to have rooftop solar, and their landlords may be unwilling and more likely than not be unwilling to outlay the capital costs of energy efficiency-based improvements that do not directly benefit them.

We actually have a case study that really speaks to the private rental market situation we'd like to read out later.

The benefits of household energy efficiency upgrades are known and various analysis from the federal government from Deloitte and the Climate Council, to name a few, show that upgrading the thermal efficiency of homes can slash energy costs, and households could

achieve even more savings through access to rooftop solar. TasCOSS continues to encourage both the federal and state governments to build on their investments in energy performance retrofits to social housing by significantly boosting their funding commitments, expanding access to low-income housing and mandating minimum energy performance standards for rental properties.

Given that energy is an essential service, rising energy prices and inefficient housing stock make it very difficult for an increasing number of Tasmanians to afford their energy and pay their bills on time, and this is evidenced by the increase in household energy debt and the number of people experiencing financial hardship. Recent data shows 13,400 households in Tasmania are carrying more than \$9.5 million in energy debt.

But this doesn't tell the whole story of energy hardship. What we hear from our consultations is that households prioritise paying their rent and their mortgage, then their electricity bill - as they prioritise, of course, a roof over their head and the power to run those homes. In prioritising their energy bill, they undertake a range of strategies. Some we've already touched on - power rationing, skipping meals and medical appointments. But other measures include selling belongings, borrowing from family and friends, turning to 'buy now, pay later' schemes and, most harrowing, turning to payday lenders, which invariably leads to debt spiral. Tasmania has twice as many households in energy debt compared with the mainland, but these debt levels represent just the tip of the iceberg of energy hardship and affordability.

Energy debt has doubled since COVID-19 and, following a slight drop-off in the previous financial year, climbed again in the last six months, and this increase is despite the application of more than \$160 million of federal and state government rebates this financial year. While these rebates are most welcome, what they do provide is just a one-off bill relief and they don't address the underlying issue of rising energy costs.

Through poorly targeted energy rebates, \$27.5 million of federal and state government financial support is being provided to the wealthiest 20 per cent of Tasmanian households. This is funding that could have been better spent helping people improve the thermal performance of their housing, accessing rooftop solar and home batteries, reducing energy debt or increasing support to those most in need.

I'll just conclude by reiterating one in five or 50,000 Tasmanian households are unable to afford their electricity supply and that making homes more energy efficient will benefit all Tasmanian households. It will ease cost-of-living pressures by cutting energy bills. It will improve health and wellbeing, create jobs and boost economic activity, lower carbon emissions, help to achieve our renewable energy targets and reduce the need to invest in expensive generation and network augmentation. Before we take questions, I would really like to hand over to Kathryn to give her lived experience.

Ms SYKES - Thank you for having me. I'm really happy to be here giving a voice to the struggle with paying electricity bills. That is something I have had a lot of experience with during my lifetime as an adult, where I have, at some periods of time more than others, struggled to pay that electricity bill. I know a lot of other people that share the same experience.

I was thinking about it last night, with what I was going to say today - how it feels to receive a bill that you know you're really stretching to try to budget and pay for; it's the worst feeling. It affects every part of your life because anything that you spend is reflected back on

this bill you need to be paying. To not be able to pay it and to acquire a debt - I'm currently in that situation. It even affected me coming here today because I felt so much shame and fear around having this big debt. It's just insurmountable for me how I'm going to ever pay it. I'm stretching it just to be able to keep up now.

As for how I'd get rid of that debt and how that affects me, it affects how you feel in society, in your relationship with society, when you have a bill, an essential bill like that, where you can't meet your needs and come to the party. I know that's how it's affected me, even with coming here today. It doesn't go away. I couldn't imagine life without that real heaviness. It affects your quality of life. I think that it spirals because when you're so tight with your money like that, you're in survival mode and there's no getting ahead, so then there's really no coming up with solutions.

I know one thing, with energy-efficient appliances, when you're on a budget you're most likely going to be getting things off Marketplace from people who are upgrading and getting more energy-efficient appliances. Yet they're the ones who are also running it at home. No-one thinks to go and buy themselves a brand new fridge when they're in debt and not able to pay bills. All these things continually compound that stuck feeling that you have with it.

Also, I know for myself, when I've been unemployed and for people who have health issues, you're at home a lot more too, so you do need that heater all day, whereas when you're working you don't have to worry about heating the house from 9 to 5. It's just those evenings. Because you're spending all your time at home, you tend to maybe feel indulgent with the heating in winter.

I was remembering last night, I've known two males that ended up - because I come from that lived experience, so I've had that in my life - and they were experiencing that themselves. They were spiralling down, having mental health issues, and then eventually losing their job and getting into debt. They ended up just moving out and into a tent, where there wasn't any electricity, and they were happier. They were happier living without electricity because there wasn't that pressure of that bill you can't pay. I mean, that's saying something, when you're using a candle to heat yourself up in a tent. You know, the peace of just being and not using something that you can't afford and trying to measure yourself on it all the time - it's not a good feeling. I thought that really says something about how it feels to have that kind of relationship with electricity and not be able to afford it.

CHAIR - I'd like to thank you for the bravery you are showing because it's a very difficult thing. On behalf of the committee, I'd like to acknowledge how hard that must have been for you to come in this morning and to tell us that story, but it's such important information for us to have. Thank you for that. We really appreciate it. It does help us to understand. I mean, I'd say all of us are in a privileged position where we don't have to face those challenges anywhere near the degree that you and your friends are, so thank you for sharing that.

Ms SYKES - Thank you for listening and for wanting to understand. It is something that you carry - people do carry it - with you. It does affect that relationship you have with society. As I said, even coming here today, it was interesting - it triggered me with that feeling. That's why I thought, well, I want to speak about it. Thank you for listening.

CHAIR - We acknowledge your courage, so thank you.

Adrienne, in your opening statement you spoke about rebates that have been provided. As I understand it, some of the decision-making regarding those involved the administrative costs of trying to split out the low-income households from the higher-income households would've been prohibitive. You know, just get the money out there. I understand that decision-making, perhaps, to a degree, but you talked about some of the things you thought would be a better way than providing rebates.

Can you talk us through, from a personal perspective, what would make the most difference for you, Kathryn, rather than getting a discount on the bill? Those people in the tent don't have a bill, so they don't get any benefit. What do you see, Adrienne, as a service provider or key stakeholder representative, would be more beneficial than a discount on your bill?

Ms SYKES - I had that question put to me and I was thinking about it. For me, it's that big monster debt that's just stuck there - if I could have that gone and have a new slate and a new chance, and keep on top of where I'm at. I have to say that the Your Energy Support (YES) program, I believe, is a really fantastic move in the right direction. Everybody's situations are unique, and I've personally found that program really flexible and able to meet me where I was at and get me engaged with making some payments. A stable energy cost would be really great, too - not that forever-increasing feeling - that's quite scary, especially if you don't have that income and you're stuck in your situation. That's hard to budget for. I've felt, for me, personally, I would benefit more from having that debt from years ago, like a monkey on my back, just some way out of that, and to have a chance to just look after myself now would be wonderful.

Ms PICONE - I wonder if this is also an opportunity for me to read our other case study, just because she makes some recommendations.

CHAIR - Okay, that might be helpful.

Ms PICONE - Because our focus is, we can't control the cost of energy but what we can control is our consumption. So I think that that's something that we really want to focus on. This case study is from a person called Liz and we have approval to use her name and use this case study. She recently bought her own home after a decade of living in Hobart rental properties and she actually only felt safe enough to come forward to share her experience because she's no longer reliant on the private rental market. What she told us is she wouldn't have been prepared to tell this story for fear of recriminations because Hobart is a small place and she didn't want her name getting out complaining about her landlord. I think that's telling in itself.

Across a decade of renting in Hobart, Liz has lived in rental homes which are too hot to occupy in summer and too cold to stay healthy in winter. In winter, heating costs were ridiculous. This is her direct quote:

There was no insulation whatsoever. We do things like buy our own cheap electric heaters, use electric blankets in the lounge room and sleep with beanies on. There were certain parts of the house we just couldn't live in and the last rental house we lived in, there was mould halfway up the curtains and the landlord constantly promised to replace them and fix the problem, but he never did.

The result was that Liz and her partner had to make sacrifices on daily things like heating and socialising, and she says:

Often, we would just limit the use of heating to save money. We'd make a conscious decision to minimise power usage that meant if we were going to get together with friends, I would avoid having them to our place during winter because it just gets too cold.

I had a friend who would refuse to come around to my house. She was older and she just wouldn't cope with the cold, which is awkward, particularly when it's people who are not renting and maybe don't understand why I can't put the heater on.

Putting up with energy inefficient homes had a health impact for both Liz and her partner and she says:

Renting and all the uncertainty that goes with it significantly impacted my mental health. I've just been diagnosed with asthma and another respiratory condition, but it's only now, looking back at things I just ignored and put down to hay fever were most likely reactions to continued exposure to things like mould and wood smoke.

When we asked her what changes she would like to see happen to address the issues she faced, Liz advocated for multi-whole-of-property upgrades such as draft, ceiling, ventilation and insulation well beyond the current energy efficiency standards, saying they don't go far enough. Liz says:

There needs to be energy-efficient heating and heating that is actually suitable for the size of the property. When searching for rentals we obviously inspected a lot of houses and some of them, fairly decent-sized three-bedroom family properties, would literally have one small panel heater attached to the wall in the lounge room and that wouldn't even heat that room. So yes, there's a minimum standard to have fixed heating, but it's got to be fixed heating that's actually suitable for the house. Also just having insulation put into rental properties would really save people a lot of money.

Liz also advocated for more solar and rental properties as part of minimum energy efficiency standards. She says:

Some sort of incentive for landlords to put solar on their property. I mean, it's not going to cover all your power bills, but it certainly helps. But it just doesn't seem to be a thing in rental stock. I've inspected at least a couple of hundred houses in my decade of renting, and in that time, I can only think of two houses which came with solar panels.

She also pointed out the inequity of energy efficiency rights for homeowners versus renters, where renters who often can afford less than homeowners are having to pay more and, as a homeowner, she says she spends far less on power bills now than we ever have when we were renting, which was kind of a catch-22.

PUBLIC

Mr EDMUNDS - I've got questions for the three of you and you can decide how you answer it. We've had Aurora here giving their side of the story and where they're coming from. But I'll be really interested in your feedback and how you've engaged with them in some of the issues around the debt and bills. Then perhaps, after those reflections, if, between you, you had suggestions about what improvements perhaps could be made at that end?

Ms SYKES - My engagement has been sketchy at best, so I can't speak completely, but I know that their agenda was to get you engaged and to start making payments. There was talk about, 'Let's not worry about what you owe, let's just look at what you're using now and we'll get you to pay that' and as long as you pay that, it's like, that just sits there. When you're on the YES program and you start doing that, then they stop sending you the bills too. So you don't get your quarterly bill, but every three months they will engage with you and they check whether your consumption has changed, which I think is a really good thing so you do get to know if all of a sudden you're using more electricity. It's a good thing for getting an idea of where you stand but it does fuel a lot of those behaviours, you know - like, I used to get the hot water bottle and then put it in my dressing gown and tie it up with the cord, you know, just those kinds of things. I have been so cold that I was just too cold to get up. I'd get myself too cold to get up. That's a big memory I have in winter.

It drives a lot of that in winter because you're worried that you're going to get that call in the next three months and then they're going to be asking for more money every fortnight. It's a good thing and it does at least get you engaged and get you started and you're repaying something, but there's just - there's no talk of it, except I suppose, if you were to stop engaging in the program, well, now all of a sudden you're looking at maybe big debt like that to get your electricity back on. Not that it's said or anything.

Mr EDMUNDS - But that's how you feel.

Ms SYKES - That's how I feel and I suppose not talking about it - I mean what can they say? I've got nothing to offer. There's no point in them trying to get it. I think it's a very clever strategy to get money off people who haven't got it, you know - 'Let's not talk about the debt, let's not ...' - and you don't even know how much you owe, as long as you just keep up with that current payment. Also, that program is good at - like if it is high, they will go through and sort of talk about what you could change. That's where I learnt about the oven. I haven't used the oven since. All my recipes now revolve around not using the oven because that was a major thing, but again, they haven't got a lot to offer to help in that regard, other than to just let you know that that's a really old sort of oven or that the seals in the fridge are what's making that cost so much.

CHAIR - Did you have an energy audit as part of it? Was that part of the arrangement or was that a separate thing?

Ms SYKES - No, no, that's just something that if you wanted to discuss, if you didn't like how much you're paying and they were saying, 'Well, that is quite high, these are some things that you could do.' Yes, I think it's just if you wanted to, which is you do at the time because you want to have a lower payment every fortnight.

I also find that when it gets into a debt like that. It's not me personally, but I know others where there are issues with those bills. I have known people, because it was so long ago and because it's wrapped up in that debt, it doesn't get dealt with properly. It just seems ridiculous

how high and because that wasn't dealt with at the time and now it's wrapped up in a few years of debt. I think it's also another injustice that occurs, where there have been billing issues.

CHAIR - I'll go to Vica and will come to you, Janie, after that.

Mr BAYLEY - Thanks, Chair. Thank you all for your submissions and Kathryn, thanks for sharing your lived experience. My question is more to the TasCOSS team. Obviously, we're spending a significant amount of public money on the rebate program that you identify as poorly targeted and you point to the energy efficiency measures. The Australian Council of Social Service (ACOSS) study that you've attached to your submission models two scenarios: kind of a quick-fix insulation-type scenario that will save households \$1000 and a similar thing plus solar that will save low-income households \$3500 dollars. It looks like a no-brainer.

My question is, have you had these policy discussions with government about diverting some of the funding or putting in additional funding to low-income households to implement some of these initiatives? Have you had those policy conversations with government and what's the response and what do you think is the blockage?

Mr DURNEY - Yes, we've had those discussions and those kinds of measures have been features of our budget submissions for a number of years now. There has been some action in relation to energy efficiency upgrades with social housing, and the joint federal and state government funding for the current round of upgrades is welcome, but it's only a drop in the ocean and only targets social housing.

But there are a lot more customers not in social housing that are struggling with their energy bills who could also benefit from those upgrades. It needs a significant investment so that it can be more widely -

Mr BAYLEY - Have you modelled that? Do you know how much it would cost to have a comprehensive roll-out across the community?

Mr DURNEY - It was not very detailed, but in a budget submission in 2021, I think it was, we did some modelling. At that time, the cost of the upgrades was estimated at around \$4000.

Mr BAYLEY - Per household, yes?

Mr DURNEY - Now, those upgrades are coming in around 10 and I think in that ACOSS report you referenced, they're up around \$13,000. It depends what upgrades you're talking about, but if you're looking at around \$10,000 a house, if you want to cover 40 or 50,000 low-income households, that's \$500 million.

Mr BAYLEY - Is the message back from government that there isn't the sort of capital funding there that they're prepared to invest in it or are there other blockages in terms of working with private landlords and the like? Are there other sort of structural challenges that need to be overcome as well or is it purely just 'budget's tight, we can't invest that kind of money across the community in these initiatives'?

PUBLIC

Mr DURNEY - It's just that the budget is the first issue, and if you have the budget you can work those other issues out around supporting landlords and the types of program you undertake that need that budget commitment.

Mr BAYLEY - Have you done any work with landlords testing their appetite to take up these kinds of initiatives? You think there'd be widespread take-up by landlords to perhaps even co-invest with the public to improve their properties?

Ms PICONE - It would need to be significantly incentivised. I think there is some resistance from landlords because of cost.

Mr DURNEY - That's where we also suggest there should be both an incentive and a mandate so that those who just don't have an interest in upgrading their properties are given a bit of a stick, but there's also the support there for those landlords who generally do want to look after their tenants and ensure they live in energy-efficient and healthy houses.

Mr BAYLEY - What's the stick? What would it be? What are some of the ideas there?

Mr DURNEY - Minimum standards for rental properties.

Mr BAYLEY - Actually just legislate and regulate.

Ms FINLAY - Thank you all for presenting today. Kathryn, as the Chair has already said, thank you so much for joining us and being brave with sharing. It's always really useful for us to pick up new inputs into information. Often when we talk about challenges with power bills, we talk about the quality of the housing stock - and because of that we need to use power more.

I really appreciate your insights into someone who's not well, who is at home more and if you're not well in winter and home more through the day, then that's another reason why the power usage will be higher. In life, when you hear something, it's obvious, but if you haven't heard it, it doesn't necessarily feature in your conversation.

I really appreciate that input. Not being well, whether mentally or physically, may lead to job loss. When you're at home, not well and not working, there's a greater need for using or considering how you might use that power at home. That has been really powerful for me. Thank you. I really appreciate your willingness to come in and share that. It just adds more layers to the understanding of the challenges that we need to address. I acknowledge that and thank you for that.

Ms PICONE - Yes, I think that the physical and mental health impacts are often the invisible impact and Kathryn has talked about the shame of having a debt. Also in the case study, we heard about the impact on people's mental health, so not actually socialising or being able to invite people over to your home because you're so ashamed about it being so cold and then potentially ending up with conditions like asthma because of the physical impact that it has. I think sometimes we kind of see those as a bit invisible, but I think they're really important things for us to be considering.

Ms FINLAY - I really appreciate that. Thank you.

CHAIR - One of the things that the government assures us of, and the minister particularly, is that the Tasmanian power prices have gone up less than inflation and less than other jurisdictions, which may be a statement of fact in terms of the power price without any consideration around it. When you hear those comments, Kathryn, particularly, how does that make you feel that we should be grateful because ours haven't gone up as much as, say, Victoria or New South Wales?

Ms SYKES - It's not the experience that I'm having at all. So, again, it affects that relationship you have with society and where you feel you're sitting and it's not the experience that I'm having at all. It seems to be getting worse. The experiences and the struggle is getting more -

CHAIR - Thank you for that. The No Interest Loan Scheme (NILS) is a scheme that the government put in place, which is an excellent scheme, to assist people to buy, say, a new fridge with better seals, a more energy-efficient fridge or perhaps a new oven, and those sorts of things. But you then still have to get an oven installed. There are costs associated with that. That's one mechanism but you've still got to pay it back. There might be no interest and you've got to pay it back and you've got a debt sitting over here. So what, for you, and someone who is experiencing that sort of pressure, would be a better approach? NILS certainly has a place and a really important place, but what would be better for you?

Ms SYKES - I thought NILS is that emergency thing, that thing that comes and has come up that threatens your quality of life and you get through it, you know, until the next one comes and then you're up against the wall. But it buys you a chance to just keep going.

To go and get a new fridge because it has got better seals because you're going to be paying less, that'd be such a decadent decision to make and to be asking NILS for a loan to be considered.

I think it needs to speak to the issue of where you've got debt, that big mass that is just there but you're struggling to just keep up with it.

CHAIR - Would a better approach from the government be - federal or state government but we're really dealing with state government matters here - would it be better if the government, rather than giving rebates, whether a debt could be cleared or not, whether the money that they might spend on a rebate that goes right across the board because it's administratively easier - they would use a fund that you could get the necessary equipment from, but subject to an assessment of your situation. Is that the sort of thing that should be looked at and set up?

Ms SYKES - Absolutely. To break that debt cycle - it's a major thing and even on society, because when you're in that real debt cycle that you can't get out of and - I know from me this is my last remnants that I have in my life of my past life of lived experience.

Yet the rest of my life, you wouldn't - you can't see it, but that debt is the one thing I wish I could get rid of.

CHAIR - Has TasCOSS done any work on the equivalent amount of money that was paid to federal and state, in this case, to reduce my power bill? Yes. Very nice, thank you very much and everyone around this table's power bill. But if that amount of money was put into

some sort of fund, have you done any modelling at all on whether that would go anywhere near addressing the challenges that people who are in energy poverty are facing?

Mr DURNEY - We haven't done that level of analysis, no. But, obviously, it would be a start. Over the long term, it would actually be financially beneficial because if you can reduce people's electricity bills, you reduce the need for rebates over the longer term. That would even extend to the application of the energy concession if that was applied differently. Instead of being a fixed amount, it was applied on a percentage basis, you could reduce the amount of the energy concession as well because you'd have a lower concession applied to a lower household bill. So, there are longer-term savings for government by going down this path as well.

CHAIR - So, there needs to be a longer-term view taken of this and how it might be better delivered. Is that what you're saying?

Mr DURNEY - I mean, ACOSS has done some work around a \$2 billion fund to start a national fund, which is co-funded by the states. So, there's a starting point, if you like, but it is only a starting point.

CHAIR - Do the other members have any other inquiries?

Mr GARLAND - I've got one. I understand there's no publicly funded consumer energy advocate in Tasmania?

Ms PICONE - Correct.

Mr GARLAND - Could you explain the importance of this role and why you have included it in the recent state budget submissions?

Ms PICONE - I think that actually us being here today is probably an example of how important it is to hear the voice of people who are experiencing energy poverty. But yes, we're the only state that doesn't have an energy advocate. We have had that previously with some federal funding that we received, but we haven't had that for probably about three to four years now. So, any energy advocacy that we do provide is pretty much part of our overall work. But we certainly aren't able to have that very strong focus that other states are having. I think it's a real gap.

Mr DURNEY - Yes, energy advocacy is not our core business. No, we would love it to be because there is an absence of it. If we didn't prioritise this hearing and this work and our budget submissions, then there probably isn't any other consumer voice that's feeding into government or raising some of these issues. Yes, it's definitely a gap, and I think Tasmanian households are probably worse off because of it.

CHAIR - Do you believe you've got the expertise within TasCOSS to deliver that? Or is this the problem that you don't have the energy advocate anymore so you haven't got that particular expertise? I'm trying to understand what the challenge here is.

Ms PICONE - I think we're fortunate that under the previous funding Stephen was engaged to do that, so he does have that level of expertise. We're just fortunate that he's still at TasCOSS and holds that knowledge.

Mr DURNEY - It's not part of my day-to-day job description.

Ms PICONE - It's off the side of his desk.

Ms SYKES - I was thinking there are some other voices that I'm not able to represent that I think equally would have an input here. I thought of the elderly who have worked all their lives and they're here spending their last years freezing with a blanket over them, or staying in bed all day or not cooking meals and putting the oven on.

CHAIR - It's pretty bad for their physical and mental health.

Ms SYKES - Yes, then I think there are also working people, with families, low-income working families. I think they have their own sort of voice as well. But yes, I just wanted to acknowledge that I'm probably not representing those people.

Mr BAYLEY - We will do one quick last one. We've talked a lot about the Energy Bill Relief Fund. Your submission is really clear about a challenge we have here in Tasmania, where the Tasmanian government, as opposed to others, has split it across two years. According to your figures, that's denied 40,000 households who are eligible for getting that support from getting it, and that there's \$20 million in budgeted bill support that's not flowed to Tasmanian households. Have you raised that with the government? Why is that? Why have they chosen to do that, and is there a remedy in train?

Mr DURNEY - That's a question for government, but just to clarify what you were saying there, when the Energy Bill Relief Fund was first announced, it was estimated that it would support 140,000 households. That was providing relief beyond just concession customers and including Family Tax Benefit A and B and carer allowance and senior healthcare card holders.

What was reported was that, instead of 140,000 households being supported, only around 100,000 were. There was funding for 40,000 households that was budgeted that hasn't been spent. Our query in our submission is, what's happened to that \$20 million? It could be used to support some of the energy initiatives that we've talked about today, but the question for the government is, what's happened to that budgeted funding?

Mr BAYLEY - You haven't had those answers?

Mr DURNEY - No. I think they've tried to be asked during various GBEs as well, without a clear answer.

Mr BAYLEY - We have an opportunity today, so we can ask that. That's 40,000 households so, certainly, considering some of the impacts we've been hearing from Kathryn, that's a significant amount of impact on Tasmanians.

CHAIR - We're out of time. I want to give you the opportunity to say anything you wish you'd said and hadn't.

Ms PICONE - I feel like perhaps Craig was poised to ask a question, so we're happy to take any questions and respond in writing or verbally.

PUBLIC

CHAIR - If there are other questions the members have, we can certainly send them through if you're happy to take them.

Ms PICONE - Yes, absolutely.

CHAIR - Thank you for your time today. We really appreciate it. The voice of consumers is really important to this inquiry, and particularly the lived experience. Thank you, Kathryn, for being so brave to walk in the door.

Ms SYKES - Thank you for being so welcoming.

CHAIR - We are just normal people. It may not seem so sometimes, but yes, thank you for your time.

The witnesses withdrew.

The committee suspended at 10.04 a.m.

PUBLIC

The committee resumed at 10.15 a.m.

CHAIR - Welcome, team from the Office of the Tasmanian Economic Regulator (OTTER), to the public hearing for the Energy Matters Committee. We appreciate you appearing before the committee to explain some of the complexities of this very complex sector.

It is a public hearing. It is being broadcast and will be transcribed and form part of our public record. All the evidence you give to the committee is covered by parliamentary privilege; that may not extend if you refer to matters outside the committee hearing. If there was anything of a confidential nature, which I doubt, but if there was, you could make that request to the committee and the committee would consider it. Otherwise, it's all public.

Do you have any questions before we commence?

There is a statutory declaration in front of each of you. I invite you to make that declaration and introduce yourselves in whichever order; we should probably do Kirstan first.

Ms KIRSTAN LONG, DIRECTOR, **Mr GLENN BOUNDS**, ASSISTANT DIRECTOR OF PRICING, and **Mr TRISTAN PATTERSON**, ASSISTANT DIRECTOR, REGULATORY COMPLIANCE AND PERFORMANCE, OFFICE OF THE TASMANIAN REGULATOR, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

Ms LONG - Good morning. I'm Kirstan Long. I'm the Director of the Office of the Tasmanian Economic Regulator. I'm joined on my left by Glenn Bounds, who is the Assistant Director of Pricing, and on my right by Tristan Patterson, who is the Assistant Director of Compliance Regulatory.

Mr PATTERSON - Regulatory Compliance and Performance.

Ms LONG - We do have some opening statements, then I'm very happy to take questions.

The Tasmanian Economic Regulator is an independent body established under the *Economic Regulator Act 2009*. The regulator is supported by staff of the Office of the Tasmanian Economic Regulator, or OTTER.

The regulator's powers and functions in relation to energy matters are set out in the *Electricity Supply Industry Act 1995* and the *Gas Industry Act 2019*, and the regulator's role as the monitor and assessor falls under the *Energy Co-ordination and Planning Act 1995*. The regulator also maintains the Tasmanian Electricity Code, which sets out the detailed arrangements for the regulation of the Tasmanian electricity supply industry.

The regulator's objectives in administering the *Electricity Supply Industry Act 1995*, the code and the other related regulatory instruments include:

- protecting the interests of electricity consumers
- promoting competition and efficiency in Tasmania's electricity supply industry

- establishing a safe system and enforcing proper standards of safety, reliability and quality in the industry.

Tasmania's participation in the National Electricity Market (NEM) and national and state-based energy reforms have, over time, resulted in changes to the regulator's statutory powers and functions in relation to the energy sector.

The regulator's functions under electricity legislation reflect that some electricity entities in Tasmania have significant market power and that most customers require a protection, through regulation, of both price and conditions of supply. These functions include:

- administering the Tasmanian Electricity Code
- administering the licensing system for the electricity supply industry
- monitoring and enforcing compliance with licence conditions
- monitoring relevant entities' performance
- approving Aurora Energy standing offer retail prices for mainland Tasmania and Hydro's retail electricity prices on the Bass Strait islands
- determining the regulated electricity feed-in tariff
- regulating certain financial risk contracts offered by Hydro.

In relation to this last point, Hydro is the dominant generator in Tasmania, and therefore there is the potential for it to misuse its market power in relation to the financial risk contracts it offers to retailers in the Tasmanian electricity market.

The wholesale contract regulatory framework was established to mitigate this risk and reduce the barriers to retailers entering the Tasmanian electricity market. The regulator has administered the wholesale contract regulatory framework since January 2014. This involves regulating certain financial risk contracts offered by Hydro. In carrying out this role, the regulator conducts periodic pricing investigations and releases a wholesale contract regulatory instrument which sets out the regulator's approvals and the principles that are applied by Hydro when calculating the weekly prices for the regulated contract types.

The regulator also monitors Hydro's regulated wholesale contract pricing activities on a weekly basis. One of these financial contracts is used to calculate the wholesale energy price, or WEP as it's known, which is one of the major cost components of the price stack that is used by the regulator to determine Aurora Energy standing offer prices.

The standing offer price for electricity takes into account these wholesale energy costs, transmission and distribution costs, metering costs and retailing costs, together with the costs of participating in the NEM and Aurora Energy's costs of complying with the Australian Government's Renewable Energy Target Scheme.

While the regulator approves standing offer prices, it does not have discretion to determine the majority of those costs that contribute to the prices.

Network charges are the largest cost component, making up approximately 42 per cent of the total costs. Network charges are determined by the Australian Energy Regulator, an independent national body.

Generation costs make up around 32 per cent of the total costs with the WEP being the main component of the costs.

NEM participation charges, which are set by the Australian Energy Market operator metering costs and renewable energy target costs, comprise around 14 per cent of total costs.

As a result, the regulator has discretion with respect to the determining around 12 per cent of the costs that contribute to standing offer retail prices.

The regulator undertakes an investigation every three years and makes a determination that establishes a method for determining the prices that Aurora can charge customers on regulated tariffs for each year of a regulatory period. Aurora Energy, along with other retailers operating in Tasmania, can also offer market-based tariffs to customers with prices that are not set by the regulator. As of 31 December 2024, there were eight retailers operating in the Tasmanian market. Thank you.

CHAIR - Thanks for that, Kirstan. I don't know if your team wanted to add anything? No that's fine.

The pricing structure is obviously managed not just by OTTER, but by the Australian Energy Regulator and it's part of our participation in the NEM - in the national market. Noting that you only have capacity, if you like, to make determination about 12 per cent of the total cost, when you hear the stories about people really struggling with their energy bills, how does that factor into the work that you do or does it?

Ms LONG - We have a legislative framework that we have to operate within. Efficiency is at the core of that and looking after consumers in Tasmania is also a major function.

We heard some of the TasCOSS session before us. They are a member of the OTTER Customer Consultative Committee. We meet with that committee quarterly. We have direct input from the likes of TasCOSS. There are other community representative groups there as well, the Salvation Army and the Council on the Ageing, which have direct input and provide submissions and lived experience to us, so we are very aware of the implications that our decisions have on vulnerable Tasmanians. It is at the forefront of the regulator's mind every time he makes a decision regarding energy prices.

CHAIR - But there's only 12 per cent of the actual bill, so even if you were to make that component as tiny and as thin as you could, one would assume you do that.

Ms LONG - We make it as efficient as we possibly can.

CHAIR - It really then falls back to the other regulators in terms of transmission costs, which is the largest component.

Ms LONG - Yes.

CHAIR - Which is outside of the state's control.

Ms LONG - Yes, that's right.

CHAIR - I'm trying to state the obvious here, but the capacity for our state regulator to influence the prices that people see on their bill is very limited. Is that a fair statement?

Ms LONG - It is a fair statement. It is, as I just said, only that 12 per cent of that total cost stack that the regulator has discretion over. It's the network costs established by AER that's about 42 per cent and we've seen that grow as a component over the past few years in particular.

CHAIR - Of the costs that make up the 12 per cent, where's the most flexibility within that.

Ms LONG - There are two major components that make up that 12 per cent: there are Aurora's costs in running its operations. We call that their cost to serve, and there is a retail margin that reflects the risks of any commercial entity taking on the business that it does. From memory, and Glenn might pull out the specifics, I think the cost of service is sitting at around 7 per cent of the cost stack and the retail margin is about 5 per cent of the cost stack.

Mr BOUNDS - Yes.

CHAIR - That is the makeup of the 12 per cent?

Ms LONG - Correct.

Mr FERGUSON - Good morning and thanks for presenting to us and I appreciated the explanation you've provided. I wonder if you could help the committee and anybody watching the broadcast. How does the office - which is independent and not political - play the role in a public literacy sense to help people understand the question that is challenged from time to time about whether Tasmania has the lowest regulated tariff prices in the country?

I've recognised your price comparison report draws out some key statements about that, but then occasionally they are challenged. I wonder if you could put it in your own words. How is it best explained to the community about the position of Tasmania in the country for consumers - customers that actually pay a power bill every month or every quarter - what's the position?

Ms LONG - That's a very big question.

Mr FERGUSON - Where do we sit?

Ms LONG - We do put out our price comparison report every year. It's a large and fairly complex report. From an energy literacy perspective, it's probably not easily digestible by everybody and we certainly are making attempts to improve the readability and the clarity of that, but we compare approximately, I think, 396 tariffs across the country.

It's quite a complex job. We're looking at both regulated tariffs and market offer tariffs and seeing where Tasmania sits across the country. Our most recent report that came out in December 2024 found that Tasmania does have among the cheapest regulated retail tariffs in the country, but, as I said, we're comparing a lot of tariffs and making assumptions about consumption levels.

Mr PATTERSON - When we're trying to compare Tasmania's regulated tariffs with those in other jurisdictions, we might have one regulated tariff for residential customers on time of use. When you go to Victoria, they have five different distribution networks there and they have a standing offer tariff for time of use for each of those distribution networks and then three retailers in those, so you've 15 tariffs there that we're looking at.

It's very difficult to compare one tariff to 15 tariffs and make a statement that means something to your average reader. We use a methodology where we look at those tariffs, we apply Tasmanian average consumption levels to each of those tariffs and then work out which of those tariffs produce the median bill of the 15. We'll compare Tasmania's one tariff to the median of the others and that's a way of boiling it down in a way we can present it in a meaningful way to your average reader.

What that means is that we might be criticised because there's one tariff in Victoria that's actually lower than Tasmania's tariff, and we'll say, 'well look, Tasmania has the lowest regulated time of use tariff in the country at Tasmania's typical consumption level', but there's one tariff in Victoria that's lower. So, our methodology and a way of presenting it gives you that information, but it is possible to sort of pick a hole in it if you want to dig deep enough.

But it's a way of boiling down almost 400 different tariffs and that's after we've excluded any retailer that has a less than 10 per cent market share. We do this across a number of different comparisons: residential general use, controlled load. That's your fixed-rate tariff where you might have a heating and hot water tariff mixed in as well and then you've got a residential time of use, you've got a business general use controlled load. You've got a number of different consumption levels that we'll look at. Really boiling it down is what we're trying to do to give people a picture of where we sit.

Individual customers - it's not designed for a customer to go out and say, 'well look, what's the best tariff for me?' The Australian Energy Made Easy website is where you go for that sort of thing. Certainly, we do have on the whole the lowest regulated tariffs in the country with a few very small exceptions.

Mr FERGUSON - I think, that's a perfectly good answer and I appreciate that and maybe you might consider in future reports if there was more graphical representation of some of those tables. I think, that would assist, perhaps, more people to be able to come to terms with the report. Perhaps, you might take on board the idea that you flagged more clearly, that you do have to dig very deep to find those exceptions because, I think, people do want to know where Tasmania sits quite clearly and whether it's a minister or the regulator, him or herself who is saying that Tasmania has the lowest regulated tariffs in the country. We need to understand -

CHAIR - How that comment -

Mr FERGUSON - To the extent to which it's qualified because I think it's heavily qualified, but it's in a very narrow band of cases where it would be even relevant. I appreciate the explanation. Thank you.

CHAIR - Can I just pick up on the one factor that - well, there are many factors, but you talked about the Tasmanian average consumption. Is that over a year? Obviously, there are different consumption patterns in the winter in Tasmania than there are in the summer et cetera?

Mr PATTERSON - Yes. Every two or three years, we analyse Aurora's data and prepare a typical customer report, which gives both the proportion of customers that are on different tariff types, but also their typical annual consumption. Aurora, having about 93 per cent of the customer base, gives us a really good representation of how much the different types of customers use.

CHAIR - Is there any way of factoring in, and I know that you do, I've got a well insulated house, an energy efficient house, but there are many people in our community who have very poorly insulated houses, not energy efficient at all. When you look at the Tasmanian average consumption, their experience of that might be completely different from mine because of the nature of my house. So how is that factored into this or is it?

Mr PATTERSON - We can't factor in the nature of somebody's house into that because we simply don't have that information. What we do is we separate out customers who receive a concession. We have that data, so we have a different consumption level for customers who are on a concession and that, at the moment, is the best information we have.

CHAIR - How does that feed in to the report?

Mr PATTERSON - In the report when we're looking at a residential customer on a time-of-use tariff, we present the information both for a concession customer at their typical consumption level and for a non-concession customer at their typical consumption level.

CHAIR - And acknowledging there will be properties that are well insulated or not on both sides of that?

Mr PATTERSON - Exactly, yes.

CHAIR - I'll go to Janie.

Ms FINLAY - Thank you, Chair and thank you, Kirstan and team, for coming in and presenting that overview. It's really useful. One of the things in your introductory comments, you talked about the feed-in tariffs and I just need to clarify whether that's something that is in your area of responsibility and whether you could speak a bit more about that. I think, when people have presented to the committee, but also just in everyday conversations and emails into my office regularly, people talk about the historical experience with the feed-in tariff and their current experience and their desire or expectation for that to be reconsidered in the future. I'm just wondering if you can make some comments about that, please.

Ms LONG - Absolutely, thank you. Yes, that definitely does sit with us. The regulator sets the minimum feed-in tariff rate that retailers have to provide to customers with a qualifying system.

The regulator undertakes an investigation every three years into the regulated feed-in tariff. We're actually in the middle of one at the moment; our draft report is out for consultation and that sets the methodology that we will use to then set the regulated feed-in tariff every three years. So our methodology is based on an avoided cost methodology where we look at what sort of costs would a retailer be avoiding if they purchased their electricity from somebody solar rather than from another generator. So we have a cost stack that makes up the regulated feed-in tariff in Tasmania. The largest component of that cost stack is the wholesale energy

price, which is also set by the regulator under the wholesale framework, and then there are couple of smaller components just acknowledging some loss factors. If a retailer is buying electricity from a generator, it has to travel across the distribution network. There are some losses incurred there. Retailers will have to buy a little bit more electricity than what they need to supply to customers because some is lost across the network.

When you buy solar, generally it goes to somebody quite close by so those network losses are smaller, so we acknowledge that in the price. Also a retailer is avoiding some of the fees associated with operating in the National Electricity Market, so we take those into account. So it's a cost stack built up of those three components in essence that lead to the outcome for the feed-in tariff rate.

As you mentioned, there have been quite some changes in the feed-in tariff rate experienced across the country from the time they were introduced until now. It certainly had a lot of national media lately and that's largely driven by that decrease in the wholesale energy price. Just noting that the Tasmanian methodology for setting regulated feed-in tariffs is quite different to most other jurisdictions, though. So, when you see the really big decreases we've just seen, say in Victoria for example, their methodology for setting that is very different to ours.

CHAIR - So, they're not comparable. That's what you're saying?

Ms LONG - They're not remotely comparable.

Mr BAYLEY - Why is that? Why are they different? Sorry.

Ms FINLAY - I'm happy to hear the answer to Vica's question.

Ms LONG - As I just explained, our methodology that we use is based on that avoided cost for a retailer. The Victorian method by contrast is based on spot prices and, as we're seeing across the National Energy Market, particularly during the middle of the day when there is a lot of solar coming online, you're getting very low, sometimes even negative spot prices and their methodology for setting the feed-in tariff there reflects the spot prices.

Mr BOUNDS - As Kirstan was alluding to, when feed-in tariffs were first introduced, the premium FIT rates to try to encourage uptake, so that has sort of passed, I guess, and now the basic premise is that customers with distributed generation systems receive the same price for the power as any other generator would receive. So, that's the basic underlying premise.

CHAIR - So, it was a policy decision of government? Sorry, Janie.

Ms FINLAY - Yes, you're right, Chair. We get a lot of people presenting to the committee around incentives for increasing rooftop solar and you said you had heard the parts of TasCOSS in terms of social housing, affordable housing and helping in terms of those offsetting costs. Are you aware of or being asked to prepare or do you do any work independent to your price-setting about the benefit or otherwise of incentives and how that could feature in the way that you do your work?

Ms LONG - No. They're much broader policy considerations than what we do. Our remit is very much in setting the regulated price for a feed-in tariff.

Ms FINLAY - I appreciate that you've answered the question, but I was interested whether you've been asked to do any work around that or if there's ever any consideration that - No? Great. Thank you.

Mr BAYLEY - Thank you very much for your submission and reports. In the most recent Energy in Tasmania report, there are some pretty stark figures, from my perspective: 5 per cent decrease in on-island generation, 9.3 per cent decrease in hydro-electric generation, 31 per cent increase in solar, significant increase in gas-fired electricity generation and a net import of 1249 GW hours across Basslink. These are pretty profound.

I have two questions: one, do you do work on this in terms of long-term trends and predictions and so forth? In trying to work out where this is going to go and have some advance warning in terms of the regulatory roles that you undertake?

Ms LONG - A qualified 'yes'. We certainly look at the longer-term trends. The regulator, as I alluded to in the opening statement, is also the monitor and assessor. It has a role in terms of energy security and monitoring Hydro's storage levels, and we release another report concerning energy security under that guise. We take a short-term view about what our energy security looks like for the coming year. It's not a long-term projection.

Mr BAYLEY - The security issue: the report obviously highlights the very low rainfall in Hydro catchments, and that's obviously driving some of the 9.3 per cent decrease in hydro-electric generation. My question is also, in the context of Marinus Link and the whole-of-government business case that's being worked on and a financial investment decision in May, what role do you have in inputting into that or peer reviewing the outputs from Treasury? You seem to have a really good insight - you obviously have a very good insight - and with those qualified projections, I'm really interested to know how you engage with that government decision and that whole-of-government business case.

Ms LONG - Our role is very small, really. Our engagement has been limited. I know that the team doing the whole-of-government business case has accessed some of our reports and the available information, but we're not involved in that decision-making. We've had some discussions with them on very small aspects of, you know, some of the energy security framework and implications that it could have going forward, but our involvement has been extremely limited.

Mr BAYLEY - That surprises me. Do you think it should be more comprehensive involvement? Noting Mr Ferguson's comment around being independent and non-political, that's truly valued by the Tasmanian people. There are some latent concerns around the whole-of-government business case - the political imperative and the political backing of Marinus, and whether there should be additional involvement from an office such as yours in inputting, vetting and peer-reviewing some of the information that is in that.

Ms LONG - Look, it's not something that we've been asked to do, so it's not a function that we really have on our agenda.

Mr EDMUNDS - On the report, the data - was it 12,000 customers are paying a debt; 5000 on a payment plan; 268 cut off? Do you have any data about how those statistics compare to mainland jurisdictions?

Ms LONG - Yes, we do. We monitor and receive our information from retailers, also through the Australian Energy Regulator, which requires all retailers across the country to submit quarterly reports to it. We've certainly been watching those trends over the past few years. I was just reading the AER's most recent quarterly report this morning relating to the December quarter 2024. We are actually seeing that Tasmania is bucking the trends nationally regarding debt and the number of people in debt in relation to electricity. I don't have the exact figures in front of me, but the number of Tasmanians in debt has actually been declining, and the amount of debt by new people going into debt, or seeking assistance from their retailer, is declining. That's in contrast to the rest of the country.

CHAIR - Could you provide that information to the committee?

Ms LONG - Yes, we could take that offline and get that to you.

Mr EDMUNDS - I'd be interested to understand the context around that. Is it to do with some of the outreach things that we've heard about, when Aurora was here, where they get ahead of the problem? Perhaps it won't get captured in the data, because they're doing the early engagement, or if it's people dropping out altogether. Any context around those figures would be fantastic.

Mr PATTERSON - Our price comparison report talks about those customer debt levels: numbers of customers experiencing a debt and repaying a debt and the average amount of debt. There are two drivers of that reduction for residential electricity customers. One of them is government assistance - the various different government-funded rebates and concessions that have increased and, therefore, reduced some of the pressure. The second one is Aurora has been very active in its debt management and approaching customers before they go into that debt situation, and helping them to manage that situation before they actually enter the debt program.

Mr EDMUNDS - The dollar figures that have been injected through those relief payments - have they been enough to cancel out a debt? Like, what sort of dollar figure qualifies you to have a debt rather than carrying a deficit on a bill? Are they the same thing?

Mr PATTERSON - I don't know off the top of my head how Aurora and the other retailers approach that - where do you enter their hardship program?

Ms LONG - Under the code, you can enter the hardship program without having much of a debt whatsoever. You can self-select to go into that if you know you're experiencing financial difficulties, or the retailer can go, 'Ooh, you've paid really well consistently for the past 10 years. Suddenly you're not. I'll reach out to you and ask if you need some assistance and would like to come into the hardship program.' There are lots of mechanisms that actually will get somebody included in a hardship program.

Mr EDMUNDS - How are those cut-off rates comparing to other jurisdictions?

Mr PATTERSON - No idea. We just don't have that sort of information.

Ms LONG - We don't have that level of granularity in the data.

Mr GARLAND - Last year we saw electricity usage in Tassie drop for the second year in a row. Can you explain that?

Ms LONG - We can speculate why that is. We suspect it has to do with solar installations. We receive very limited data on the amount of solar that is self-consumed by people at their own properties. We see more data on the amount that's exported to the grid, with little oversight of what people are using within their own homes, so we suspect that a lot of that drop we've seen in the last couple of years is by people consuming more solar within their own homes.

Mr PATTERSON - We've seen year-on-year growth in the number of home solar installations. That's been a trend for quite some time. In this last year - it's very difficult to give you a number, but the report says last year was 'a particularly sunny year'. That's a very subjective statement, but when you look through the Bureau of Meteorology's sunlight charts, they have a chart of Tasmania showing the different hours of sunlight across the state, and you can set it for the financial year. In this last year, those hours of sun, or the amount of energy that comes in as sunlight, really extends down into the south at a much higher level than it has in previous years. Last year was, genuinely, a particularly sunny year, which means more solar being fed into the grid and more solar being consumed behind the meter, and therefore less coming from other generation sources.

Mr GARLAND - I was talking to a Victorian who came across and he's had solar here for two years. He's up 20 per cent on what he was getting in Victoria.

Mr BOUNDS - Really? I think, on average, too, systems are getting bigger.

Mr BAYLEY - Battery uptake could be part of that as well, presumably, would it?

CHAIR - In the reduction of usage? Yes, behind the meter.

Mr PATTERSON - That's right, because you're able to use that energy at a more useful time.

Mr BOUNDS - Batteries or electric vehicles, storing in the electric vehicle.

CHAIR - When you're looking at the Bureau of Meteorology's data, was there any indication where this was just a one-off, or is something changing? Our climate, for one thing. They may see this as a more likely pattern ahead? That may be a question for the bureau.

Mr PATTERSON - I'd suggest that it's probably a one-off. Just in checking this statement that it was a particularly sunny year, I went back over a period of 10 years and looked at the annual chart. The last time that there was a chart similar to this was sort of very early in that 10-year period, so it's not a one-off but it is an outlier. It doesn't necessarily mean climate change and warmer weather, what it means is less cloud cover. I can't ex -

CHAIR - I won't ask you to explain that.

Mr FERGUSON - Just a follow-on, only to ask - even though it's behind the meter, based on your speculative reasoning, is it possible that the retailer nonetheless is able to capture that data Mr Garland was referring to about greater self-generated and self-consumed

electricity? Even though it's behind the meter, is it possible that there is a dataset that could be brought into the picture?

Ms LONG - It's something we're exploring. Historically we've really relied on data from the Australian Energy Market Operator and that looks at flows across the NEM. Obviously, that source of information doesn't capture self-consumption. Now with the rollout of the advanced meters, we are hoping some of that more granular data of self-consumption might become available. It's one we will continue to monitor and see if there are extra or additional data sources we are able to access.

Mr GARLAND - Could energy efficiency have something to do with the lower usage over the last year or two?

Ms LONG - Potentially.

Mr BAYLEY - With the net importing status of over Basslink and, particularly, the huge rise in gas usage because of the firing of the Tamar Valley Power Station, what does that do to the perception we're 100 per cent renewable versus the reality? Does that mean over the year that you've just reported on that we're not 100 per cent renewable? What do you think that means longer term in terms of branding and other implications for Tasmania?

Ms LONG - That's not within our remit. That would be a question really for ReCFIT, I would imagine. We looked at Hydro's behaviour in particular from an energy security perspective. Rainfall was really down, we monitor their storages very closely. They were getting quite close to the prudent storage level. Hydro responded through their import over Basslink and also through using the Tamar Valley Power Station to control those levels of storages, which is what we would expect to see from an energy security perspective and that's very much the lens we were putting over that.

Mr BAYLEY - Is it fair to say then in 2023-24, given those figures we're not 100 per cent renewable in that year?

Ms LONG - That's not something that we monitor and model, so I couldn't comment on that.

Mr EDMUNDS - The national regulator released the draught determination rejecting the conversion of Basslink to regulated asset. Are you able to talk through potential price implications for Tasmanians if that decision is confirmed?

Ms LONG - We can attempt to-

CHAIR - Confirmed to be regulated or to reject? Because the recommendation is to reject. Just to clarify the question, if it's regulated?

Mr EDMUNDS - No, if the decision is confirmed, the determination is confirmed.

Ms LONG - It's a really big question and one we've been grappling with. We certainly haven't done forecasts yet, but we're looking at the body of work that would be heading our way should that decision be confirmed.

Unfortunately, we're in this state of limbo at the moment where the Australian Energy Regulator was due to release its final decision on 28 February and we're all still waiting. So we don't know when that decision is coming and we don't know what that decision will be. Then there are lots of ifs and buts following that decision that would have implications. For example, Basslink has been operated for a very long time through an agreement between its owners and Hydro Tasmania who has had control over the flows over Basslink. That agreement expires on 30 June this year.

If it's not regulated, the initial question is, does APA Group as the owner of Basslink enter into a new agreement with Hydro Tasmania? That's a big question mark. Does it operate the link itself or does it outsource it to another player? There's lots of questions there and then it comes down to that entity that operates Basslink going forward how do they operate it and what does that mean for flows over the link?

APA has made public statements that they would seek to potentially operate Basslink in a profit maximising way which you would expect. That is likely to mean considerably less flows over Basslink. We are still working through the implications of what that might mean in terms of wholesale prices for Tasmania

Mr EDMUNDS - You wouldn't have done any forecasting about what that might mean for consumers?

Ms LONG – No, there's too many unknowns there.

CHAIR - The same would apply if the decision was overturned, I imagine there'd be a whole body of work to be done then too.

Ms LONG - Correct.

CHAIR - Whatever the decision is, there's a whole body of work to do.

Ms LONG - Unfortunately, the AER didn't take our timing into consideration. We are in the middle of our standing offer investigation into Aurora's prices. We do that every three years. One of the components we are looking at is if Basslink is regulated, what are those costs that then flow through to small customers? In this very uncertain world we're living in, we have put an extra component into that cost stack specifically relating to Basslink to give the regulator flexibility to adjust that up or down or leave it at zero depending on outcomes just because we don't know.

CHAIR - That can be done. I appreciate this must be a really complex body of work that's going on but, once the determination is out and you've got a statutory requirement to do so that you say you're building in some sort of mechanism that can adjust for whatever decision the AER makes in relation to Basslink. Is that right?

Ms LONG - Correct, but if they do decide to regulate Basslink - and none of us know if that's their decision - they will have to go through a revenue determination process. They haven't done a draft determination yet to say what they think the prices would be, then they'd consult on that and then there'd be final prices. We're also sitting here considering when would we know, when would those regulated price flows kick in. It's probably not possible to do from 1 July this year. What does that mean for regulated consumer prices? When could it feed in?

PUBLIC

We're set on a financial year basis. If, say Basslink started being a regulated link from 1 December, for example, can that be incorporated? Can it not be? There are many questions we still need to resolve.

CHAIR - This may not be a question for you, it could be a matter for Hydro, but noting those things - and I check the AER site quite regularly to see -

Ms LONG - So do we.

CHAIR - probably not as often as you do, I might add, but because of the pushing out of the timeline here, one would expect there'd have to be some sort of new agreement with Hydro to extend. Would that be a likely scenario or is that just a matter for Hydro and APA to work out?

Ms LONG - That's a matter for Hydro.

Mr BOUNDS - I think when I said 30 June date that we would have thought the process would be finished.

CHAIR - Yes, I think most people did. Any other questions from members? Is there anything you wanted to add to your comments from our discussion? Otherwise, we thank you for your appearance and expertise and wish you all the best with some of those really complex matters. We appreciate the opportunity to hear how it works from your perspective and trying to make these things more digestible for all of us. We do appreciate that. Thanks for your time.

The witnesses withdrew.

The committee suspended at 10.58 a.m.

PUBLIC

The committee resumed at 11.32 a.m.

CHAIR - Thank you, Treasurer, Deputy Premier, for appearing before the Energy Matters committee. Particularly, the committee is interested in the whole-of-government business case from a Treasury point of view and that's why we've invited you here for this hearing.

As you're aware, everything you say is covered by parliamentary privilege while you're before the committee and that may not extend beyond that. If there's anything of a confidential nature you wish to share with the committee, you could make that request and the committee would consider it. Otherwise, it's a public hearing.

I assume there are no questions from anyone before we start?

Mr BARNETT - Thanks very much, Chair, and thank you very much to the members of the committee for the opportunity to speak with you today and to share some remarks in my capacity as Treasurer.

I'd like to welcome and introduce Gary Swain, my secretary; Anton Voss, who's the Executive Director, leading Project Marinus Whole of State Business Case; and Nick Merse, who is the Deputy Director of Energy.

Mr GARY SWAIN, SECRETARY, **Mr ANTON VOSS**, EXECUTIVE DIRECTOR, PROJECT MARINUS WHOLE OF STATE BUSINESS CASE, and **Mr NICK MERSE**, DEPUTY DIRECTOR ENERGY, DEPARTMENT OF TREASURY AND FINANCE, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR - Minister, if you would like to make some opening comments?

Mr BARNETT - Thank you very much, Chair. Just some opening comments if I could, and just to again welcome my colleagues here at the table and thank the committee for their contribution. It's a very important role as Treasurer.

I wanted to commend and thank Nick Duigan, a colleague, Minister for Energy and Renewables, for his hard work and his leadership in this space. I know he has contributed submissions to this committee over a period of time. It's a joy working with minister Nick, it's important, certainly, in my role as Treasurer, and it has a whole range of perspectives and, I think, today you're wishing to focus more on the whole-of-state business case and the Marinus Link and the like. I'm happy to respond in any other respects with regard to my role, the energy sector prices and concessions.

In terms of Marinus and the energy sector generally, we've certainly got 100 years plus of Hydro generation and commitment. Yesterday, I was at Tarraleah Power Station redevelopment plans and it's great to see boots on the ground and action progressing in that wonderful investment. We are the renewable energy state and we're very pleased and proud of that. We've backed it in with our targets some years ago, which has been legislated. We do have a lot to share in terms of Hydro, but also, working with the other renewable energy sources, wind and solar, and we have big plans accordingly.

I acknowledge the relationship with the federal government and, likewise, Victoria, with respect to our plans for Marinus Link, Battery of the Nation, and Tarraleah. Lake Cethana is part of that plan for the future, delivering and unlocking a whole range of investment, development and jobs.

I've said before, and I'll say again, Tasmania has the trifecta in terms of our renewable energy. It's low cost, reliable and clean, and that's something that the rest of Australia and the rest of the world wants. We believe that Marinus, like the business community has said in recent weeks, is a top priority. I know that will feature during the federal election campaign. It already has, and we acknowledge and thank the business community for their support.

The work is being led by Treasury and Anton Voss in particular, and I'm sure he'll have more to say very shortly. The government has committed to undertake the whole-of-state business case to holistically consider the impacts of Marinus and related renewable energy projects and the opportunities for Tasmania. The work is being led by Treasury and Finance, as I've said, and will be completed prior to the financial investment decision being made.

It is considering the financial, economic, social impacts of the energy vision on the Tasmanian economy, our balance sheet and the community.

Just to conclude, we've made a whole range of announcements with regard to government business enterprise reform. That's on the public record. Happy to answer questions in that space as well. I'll leave it there, Chair, and happy to take questions or for my colleagues at the table.

CHAIR - It would be helpful if Mr Voss could outline the assumptions and considerations and things that are feeding into the whole-of-state business case, particularly in the absence of the Australian Energy Regulator's (AER) decision regarding APA, which has left us up in a bit of an unknown area at the minute. How is that work progressing and what are the key considerations in it?

Mr BARNETT - It's a pleasure and I'm more than happy to pass to Anton Voss.

Mr VOSS - Thank you, Treasurer. I'll just give a status update as to where things are at. We're working through and the government's been told to report to a steering committee chaired by Gary, as Secretary of Treasury. It has a range of senior government people on there: the Secretary of State Growth, the Secretary of DPAC, obviously some internal people, Treasury as well. We also have an independent peer reviewer on that committee, Glenn Appleyard, who's Tasmania's former economic regulator. I report through to them.

We've been busily beaver away for a bit longer than we anticipated after Marinus Link pushed out their final investment decision (FID) into mid this year. We've been going now since about January, so well over a year. It's a complex piece of work. It's still in draft, so the steering committee hasn't signed off on the work yet. We're getting close to completing it. It also hasn't gone to the government as yet either. As context for the committee, the thing is still in draft, hasn't yet gone to the government. Obviously, we've had some discussions with the government on progress, but we haven't put it through yet. We're just working hard. We have a very small but excellent project team in Treasury. They've been pulling all this together.

PUBLIC

The timing around the Marinus Link decision, final investment decision, is end of May. We will have the whole-of-state business case prepared well before that - it's pretty close to conclusion - for the government's consideration.

You asked about the methodology and how we're going to approach it.

CHAIR - As well as the assumptions that feed into it.

Mr VOSS - There's a lot of assumptions that feed into it. It's a complex piece of work. The document's going to be hundreds of pages long; it's comprehensive. The way we've approached it in line with our terms of reference is to deal with three key scenarios.

The first one's 'No Marinus' - so, what does the world look like in Tasmania without Marinus. Then Marinus Link Stage 1, then we also look at Marinus Link Stage 2, and all the related projects that feed off that. In the case of Marinus Link Stage 1, that would include North West Transmission Developments (NWTDD) Stage 1. Also as part of that, we look at the Tarraleah project.

With regard to Marinus Link Stage 2, obviously it's around the second cable. You'd have the second NWTDD Stage 2, and Cethana's in that mix as well.

We do a 25-year timeframe, so sort of from next year through to 2050 - a long projection period. Obviously, the further out you go, the more uncertain things become, but it's just trying to get a good understanding of these things. The assets are very long-lived assets, as you'd appreciate.

We go back to do this, we look at the AEMO, the Australian Energy Market Operator's Integrated System Plan (ISP). As some members of the committee would be aware, there's a range of scenarios that AEMO does with their National Electricity Market Integrated System Plan. We've chosen the two most likely scenarios in that plan, by their own estimation. One is the so-called Step Change scenario, so that's a larger uplift in load and demand requirements across the National Electricity Market, and how that flows through to Tasmania. I'll come back to what that means for investment in a second.

We also look at progressive change, which is one of their other scenarios. That has lower levels of demand nationally and that flows through also to the business case. We have three overlaying cases, I suppose: No Marinus, Marinus 1, Marinus 2 and their related projects. We then apply some scenarios over the top of that from AEMO - the step change and progressive change scenarios. That gives us a range of information around load, customer numbers, et cetera. We then take the inputs from the government businesses, so we've got financial models from the three government businesses, from Marinus Link Proprietary Limited, TasNetworks and Hydro, around those projects and how they fit together.

We pull those projects together with the construction cost impacts, the revenue outcomes, we look at the three businesses individually, how those components fit together, what the financial outcomes might look like, again their projections based on models.

We also do some wholesale electricity modelling, so we've had Deloitte come and do some electricity modelling for us about how, for example, capacity and how much wind is built

in the state, and that's obviously important from the government's perspective with regard to the 200 per cent renewable energy target and what those things look like.

We also do a separate assessment on the economic impacts as per the terms of reference. We have had a consultant from CoPS University, and they've come in and done some work on that, so that's a full so-called CGE (computable general equilibrium) model.

CHAIR - A CGE model being? Just for the purpose of Hansard.

Mr VOSS - That's a model which is a bit different to, say, a straight economic impact top assessment. CGE model, a computable general equilibrium model tries to take into account - if you build something over here or have subsequent flow and impacts to the rest of the economy. It's like a whole of economy modelling as opposed to just saying we build that project, it's that many jobs and it's that much investment.

If you particularly say, at the moment in Tasmania, we've got very low unemployment rate, as the committee would be well aware, how do those things impact if you go and bring in some extra jobs in the state to build those things? It's a whole of economy type of model. We look at all those pieces. We also look at customer impacts, obviously as best we can around projections on those. I think that's all the pieces. There're a lot of pieces we've got to try and then explain how that all fits together, not straightforward.

We also have to look at things like energy security. We have to look at things like system stability. We've also got to look at the terms of reference - helpfully, that Treasury constructed before I got this gig - which was very broad. Hence, it's quite a long report.

CHAIR - Do you also consider decarbonising transport and major industry?

Mr VOSS - We don't look at that. We look at emissions with regards to the national electricity market. I mentioned the modelling from Deloitte and so how Marinus and the renewables that are building Tasmania might contribute to sort of the broader carbon targets that are in the AEMO's ISP, so we do have a look at that.

CHAIR - If you're taking a 25-year view, then we know that some of our major industries are on a pathway to decarbonising the transport sector, perhaps this is more in the energy space. The decarbonising of the transport sector is going to require significant additional electricity as opposed to diesel or petrol, you know, those sorts of fuels. If that's not factored in, how, or it is factored in -

Mr VOSS - Sorry, I thought you were asking specifically about - the AEMO ISP does take into account things like electric vehicle take up, as an example. They do try to project electricity demand and then, obviously, how the supply is built to make that demand. Those things are incorporated if you've had a look at the forecast for AEMO about what is required going forward, as coal exits the National Electricity Market, there is obviously a lot of new renewable energy that needs to be built.

That component is captured in the AEMO ISP underlying profile so it is in the demand profiles and a high level. I should add too, sorry, that's the other piece. There're a lot of pieces, as I mentioned, obviously, we also look at the government finances and how they're impacted and how all those things flow through as the government owns all the businesses which goes

back to the Deputy Premier's point around the reason for a whole-of-state business case is this holistic view.

Because you've got lots of moving parts, you've got impacts on customers, you've got economic impacts, you've got energy security impacts, you've got three different businesses with three different boards, they're looking at their projects from their own perspective, their own commercial perspective so they might make a decision, for example, about moving ahead or not moving ahead on a particular project. From their perspective, that might make sense, but it has flow-on consequences to other parts of government or other government businesses.

The intention behind this particularly complex piece is that all these pieces are interconnected. How does that flow through? The government understands that when they go to make their final investment decision - along with the other two governments, obviously, they're not the only owner of Marinus Link - with regard to Marinus Link and what that means for the rest of the state and the budget.

CHAIR - Just one thing I mentioned earlier, then I'll come to final questions. The lack of decision by the Australian Energy Regulator regarding Basslink and whether it remains a merchant link or becomes regulated, how is that impacting the work that you're doing?

Mr VOSS - As mentioned at the outset, we look at three cases to know if Marinus will or Marinus won't. The reality is that what happens to Basslink will happen to all the cases. When you do a comparator, it's already built in to the - whether they go through the regulator or they don't regulate, it'll happen in any circumstance. If they don't go down the pathway of becoming a regulated interconnector, that will make electricity pricing and flows over the interconnector - we don't know. We've not had a scenario -

CHAIR - This is the point I'm making, because that decision's not been made and the draft decision was not to regulate, so it doesn't give us any indication of how costs will be apportioned across the link. What assumptions are you using in regard to the apportionment of cost on either end of the link?

Mr VOSS - If it remains, it would be the same in all scenarios, because if it's happened in no Marinus and happened in Marinus 1 then it happened in Marinus 2. What we're trying to do is compare the cases if we build Marinus compared to no Marinus. Basslink decisions are the same in all of them.

CHAIR - If you build Marinus, then there's going to have to be a decision about how the costs are apportioned across the link.

Mr VOSS - For Marinus Link?

CHAIR - Yes, because it's intended for it to be regulated, as I understand it.

Mr VOSS - Yes, correct.

CHAIR - That was what Basslink might've got some indication on, as to how that would work. We don't have that indication, so what assumptions do you put in about that to determine pricing and the impact on customers?

Mr VOSS - For Marinus Link or Basslink?

CHAIR - For Marinus Link, not for Basslink. You don't own Basslink, so we don't have to worry about that one.

Mr VOSS - No, we don't. We have made some assumptions in the whole-of-state business case around cost allocation. I think Marinus Link also makes some assumptions around cost allocation in their submission to the AER, so that's all public. We have worked through some of those assumptions. It's part of the business case to work through with the various impacts.

CHAIR - One would assume that would be apparent in the report when it comes out.

Mr VOSS - Yes.

Mr SWAIN - Treasurer, if I could: Anton can correct me if I get this wrong, but as I understand it, if the regulated and non-regulated outcome changes volumes and that has some nominal impact on price, what Anton's work is really trying to focus on is the difference between the scenarios. As long as it changes everything equally across the scenario, the volume effect translates into a slightly different price arrangement. What his work's trying to pick up is the change between those scenarios off whatever that base is. As long as it changes all scenarios equally, it shouldn't change any findings or understandings that come out of the work.

There's a whole range of things that could happen differently than anticipated in the work, starting with the fact that when we're based on some, you know, profiles that, by definition, are a best guess of a likely future, but they're not the future. They'll be wrong in many ways. I mean, that's the case with any 25-year-out investigation.

CHAIR - A bit like forward Estimates really, isn't it?

Mr SWAIN - This is trying to get two broad directions and key differences between the scenarios, not absolutes.

Mr VOSS - I was just going to expand a bit on that point that Gary made, which is a very important point. The 25-year projection period, there is an enormous amount of modelling that sits behind all of these things. I think what Gary is saying - and we've discussed this with the steering committee - is that there can be some potential for people to be very focused on specific numbers when, in practice, what you really should be trying to do is 'okay, what's the order of magnitude of a number and what is the trend?'. Because it is just very challenging to, as Gary says, predict the future and all the models have a whole range of assumptions built into them.

There are models that are built on other models. For example, we've had Deloitte do some work on, say, the capacity builds under the AEMO. The AEMO ISP itself is a model and there's multiple scenarios of that model and it comes out biannually. If you look at them between every two years, they're quite different every time they come out. Hydro does the same. They've got a range, they've got some models that build off the AEMO ISP and they've got their own model as well and we take that. It's the best we've got, but it is only a projection of what the future might look like. I think when the whole of state business case, et cetera, is released, it's a case of trying to look at the size of the impacts sort of broadly like I said. I don't know, is it

\$10 million or \$100 million or \$1000 million? How big is this and what's the general trend? That's really all I'm trying to say.

Mr BAYLEY - Continuing on from that, most of that conversation was about Basslink and is it regulated and is it not and how does that influence Marinus Link? But of course, it's the intention that Marinus Link is a regulated asset, but it's not guaranteed. I guess the question is should there not be five scenarios that you're modelling, no Marinus Link, Marinus Link stage 1 regulated or unregulated. Stage 2 regulated, unregulated are you doing modelling of what would happen if there is a decision that Marinus Link isn't to be a regulated asset?

Mr VOSS - I have to check Mr Bayley. I actually think it is a regulated asset. I think that decisions been made. That decision's been made. The Basslink decision is a different decision, they're applying to be regulated from being a market network service provider.

Mr BAYLEY - Marinus Link is already made?

Mr VOSS - Yes. With regard to being a regulated asset, yes.

Mr SWAIN - If I could, there is a fundamental difference in that the AER can look at Basslink which, as you know, business investments have been made, the build has happened. It is hard to imagine investors being able to manage some of the uncertainty around an unregulated link. The scenario is different, one is an existing asset that is built and AER can look at that on the basis of we're not changing whether it exists in making a decision to regulate or unregulate it. The regulated status of Marinus 1 and potentially Marinus 2 are probably key to their bankable projects.

Mr BAYLEY - Sure. I'm saying the decision.

Mr SWAIN - I'm just saying I don't think you need to look at the unregulated case because you're unlikely to have projects under the unregulated case. Whereas, Basslink continues to exist as an asset, it might be worth a different amount, it might be sold, there might be an equity loss, there might be an equity gain, but it's not that the asset will cease to exist.

Mr BAYLEY - Understandable. Mr Voss, you said that you believe Marinus Link - could you, provide the committee with that determination?

Mr VOSS - I can. I just can't recall the exact data. Someone can probably send it through while I'm sitting here. They had been through this process. They're in the regulatory process now with regard to applying for early works and various other things so it's a regulated thing. I've just got to find the detail. It went through a process to become -

CHAIR - If it comes to you during the hearing, you can pass it on at that point.

Mr BAYLEY - Different topic. I'm happy to move on and then come back.

Ms FINLAY - Thank you, Chair. Thank you for your presentation to the committee today. I've always been curious with the work happening with the Whole of Government Business Case. I think it's going to be hopefully an extraordinary body of work that will inform a whole lot of things for Tasmania. In that case, the complexity and depth of the breadth of it

will be very useful. However, I've always been curious the timeline for delivery is 30 days prior to the financial investment decision.

Given the depth, breadth, complexity, all of the models on models and the information what do you imagine other than it being a useful body of work that provides all sorts of people all sorts of information, will the government consider that work as a yes or no? Or does the 30 days prior to FID actually provide any capacity and is there any permissions for conditions, negotiation, repositioning? What do you imagine the body of work 30 days out provides for?

Mr SWAIN - Maybe I can start and then hand to Anton, if that's all right, Treasurer. It's more in the category of insights. I'd say insights and understanding of what's driving value, so benefits and costs and risks. It will as a point in time analysis, it has to stop at a point in time. There will be things that happen after the business case is delivered and the government will have to consider those things in addition to the whole of state business case.

It's not a yes or no because it's far more complicated than that. What the business case is frankly doing already in terms of its development is providing a lot of insight into what drives benefits, costs and risks. That will be what it brings into the decision-making process, but it has to be considered alongside with other things including the FIDs.

Ms FINLAY - Do you imagine based on that final information - and from your answer, it seems like elements of the information under development are already being shared by ministers and decision makers - from what you just said then in terms of its informing process decisions?

Mr SWAIN - No, sorry, what I meant was more in terms of our interactions with the businesses and in terms of giving advice to ministers in relation to the whole-of-state business case, which we have not yet done. We are already better informed by the work that's happened to date. No, it hasn't been shared, it hasn't been signed off by the by the steer-co, hasn't gone to government. We have been giving updates to the government by way of presentations and just broad 'this is where the work's at', but it's not a finalised product as Anton I think said at the very beginning.

Ms FINLAY - Within that very tight 30-day period of time, it could inform the government to make a decision to maintain its interest in the capital investment or to remove that to condition or try and negotiate different parameters to the deal. Is there an understanding between all three parties that things could move in that period of time in those 30 days?

What's the facility for negotiations once the whole of business case has been released for the government to continue to use that to inform variations, on what might happen going forward with Marinus.

Mr VOSS - Following up on Gary's comments. The whole-of-state business case obviously has a lot of focus on that for good reason, but ultimately it's advice to the government. We mentioned sort of the 30 days before FID, we'll deliver it before then. I think one of your questions is that enough time, they'll have it before that time, but we are just one input into the decision-making process as Gary was saying.

Our work by definition, it's a point in time assessment. Hopefully I explained earlier, there's a lot of stuff going into this and one of the challenges I've had with the team is the sort of the shifting sands because every business is dealing with their own project, and these projects

are still five years plus out from being finalised if they go ahead so there's a whole lot of work going on and lots of stuff that's moving. We've had to, to some extent, draw a line in the sand. It's a point in time assessment as Gary was indicating. I think it's helpful still because in many ways it gives broad trends, it gives a good understanding of the direction things are heading, it gives orders of magnitude of things.

To your point, stuff will change after we deliver it, including the very important pieces that are to come. The Marinus Link Board have said they will make a recommendation to the three governments around whether they think the project should go ahead and that will be, I expect, quite a lot of information. It's not going to be a one page letter, it's going to be a very comprehensive piece from Marinus Link as an entity. You'll get the same from TasNetworks, You'll get a detailed piece of work from them based on the time they send it and that'll be after our piece of work when the whole-of-state business case is done.

Similarly, Hydro Tasmania is working on their projects. There's going to be some information coming from them to the government to consider and there's other information that comes between the time that I'll deliver the whole-of-state business case through to the Treasurer and through to the government.

For example, the AER is going to make according to its schedule a draft decision on MLPL stage 1 construction costs, which is currently all public. In theory, they're supposed to make that draft decision in May, that's important information. Marinus Link also has got some work going on with various contractors, as is Hydro, they're going to have update information.

There's a lot of additional stuff to come after ours so it's not just about my piece of work, although my piece of work is complex and there's a lot in it. There's a lot to read. If you read it there's a lot in it, but I think to your point, yes, the government will then get those recommendations from the boards, from MLPL in particular. The three governments will need to consider that and then they will take some time assessing all that information. Then the three of them will make, separately and together, a decision about what happens. That will come sometime after May.

It's not going to be 1 June or anything like that. It will take some time for the governments to consider it. There will also be, I expect, additional advice from agencies. Trying to take all that together, Treasury will make some sort of recommendation, I would expect, around going ahead, because this new information would have arrived. I expect Department of State Growth and ReCFIT will do something similar, DPAC will do something similar. There is a lot more to come after my stuff's done.

Mr SWAIN - If I could add to that, going back to Anton's beginning, this is complicated. I've only been involved in one other thing as complicated as this, and that was the National Electricity Market entry 20-odd years ago. In any future scenario after the close of the businesscase, I think it'll put the government in a position to make a better decision, because the insights it offers and the understandings will be transferable into any scenario. There are some quite varied scenarios that are possible, not the least of which is we have a federal election with two policy positions that are quite different. What it will do is help the government move quicker in any scenario that emerges post the delivery of the whole-of-state business case.

Ms FINLAY - Given that you've indicated that the report will be available before that 30-day moment, what's the current target date for the report being available to government?

Mr VOSS - Again, it has to go through the steering committee. I don't know, we're getting towards the end, but assuming that goes relatively smoothly I think the government will have something before them to consider, probably next month. Again, it's early days. There's a lot of process to go through there as well. They'll have that and they'll take some time to consider it. As I said, the final investment decision's still a long way off. They have some time to try to design it in such a way that they've got all the time to read and absorb that report and then wait for the next round of material to come. Then the government can think about pulling all that together.

CHAIR - When will it be made public, beyond that?

Mr VOSS - That's a decision for the government, ultimately.

CHAIR - I'm asking the Deputy Premier that.

Mr BARNETT - Yes. I think that'll be a decision for government down the track. I think the point that Anton's making, and Gary, very well is that there's a lot of factors that come into a very important decision. What we want, as a government, is to get the best information on the table to be able to make considered decisions on behalf of the community.

CHAIR - The question is: will it be made public in time for members of the public and members of parliament to have enough time to digest it?

Mr BARNETT - There's a commitment to, as far as I'm aware, of the 30 days prior to financial investment decision, which is in and around midyear. I think Anton's outlined the decision for MLPL, Mariner Link, in and around May is my understanding. Then TasNetworks for the North West Transmission in and around a similar time, maybe a little bit later. Those decisions are very important. What do they recommend? They have to come up with their financial investment decision, as does the TasNetworks, Mariner Link. Then, of course, you have the three governments. In addition to that, you've got the AER and what they're doing. You've made reference to Basslink - we will certainly take that into account.

We'll need to get advice from our various agencies and the GBEs, including Hydro Tasmania, because we've got renewable energy projects in play. I mentioned in my opening remarks about Tarraleah, I've mentioned Lake Cethana, which is linked to Stage 2 of Mariner Link. There's a lot of information and factors and assumptions and scenarios that we will need to consider carefully.

CHAIR - Minister, if the FID is due in May, no?

Mr VOSS - The recommendation from the boards - they can't make a decision to go ahead, it's up to the government. The recommendation from the boards at the moment is targeted by them for end of May.

Mr BARNETT - When you say 'them'?

Mr VOSS - As in Mariner Link board and TasNetwork's board as well, with regard to North West Transmission Developments. That's their recommendations to government about whether they think these projects should go ahead. I'm expecting they'll have a swathe of

information that will come with that and justify why and various other bits and pieces. Just for clarity, there's a final investment decision recommendation from the boards -

Mr BARNETT - To shareholders?

Mr VOSS - Correct. Then the decision, the actual decision, is government's and the timing of that is up to government. There's some constraints around contracts -.

CHAIR - We can be assured, then, as a committee and members of the public, that the whole-of-state business case and other information will be available before a decision is made by governments and stakeholders on this matter? There has been a commitment made. I accept that. There is some confusion around the dates here, I think, and I'm trying to make it really clear for anyone who may be interested as to what the actual timeline is.

Mr BARNETT - The government hasn't made that decision in terms of that date. Just to be very clear, I think Anton's outlined very comprehensively with Gary, that there's a lot of work going into it. It'll draft steering committee, it'll come to government, we'll need to consider it carefully, but we'll also have to consider a lot of other things. We'll have to take advice on that from our agencies. We'll get advice from Hydro. We'll get feedback from MLPL. We'll get feedback from TasNetworks.

CHAIR - The government's decision on Marinus Link will not be made in May?

Mr VOSS - No.

CHAIR - Just to be really clear, do you, as Deputy Premier, Treasurer and minister, have any expectation of when that decision will be made? Will it be made this year? Could it be next year? I'm just trying to understand when the decision will be made.

Mr BARNETT - You'll have a very clear understanding by mid this year in terms of financial investment decision for the three governments - Victoria, federal government and our government. In and around midyear the report is committed to be released 30 days prior to that FID decision, but when that is released in and around that time or before that time, that's a matter for government. We have to take into account a lot of information and advice, and I've made it very clear that we need to get the best information for government and take into account all of those things. There're a lot of moving parts and we need to get the best information possible.

CHAIR - When the decision is made to say yes, Marinus is a goer, or, no, it's not, when can we expect that?

Mr BARNETT - We can't. Nobody can give you a clear piece of advice on that timing at the moment. We've got a lot of factors to consider and we're going to be very comprehensive in our assessment and reviews to do what's in the best interest of Tasmania, as simple as that.

Mr SWAIN - Coming back to the whole-of-state business case, what that will allow the government to do is to move more quickly than it otherwise would have been able to and to be able to respond to the FID proposals that it gets and formulate a view on subsequent advice more quickly because it has got a comprehensive backdrop that will have had some weeks or more to work through and it's not starting flat-footed on an issue that is so complicated.

Mr BARNETT - I see it as a positive. This is a really positive initiative and I credit the former Treasurer as well for progressing this - obviously, a government decision - but the former Treasurer promoted this, supported this. Anton and his team have done a massive amount of work as you've heard already today. It's very comprehensive and this will arm us, prepare us to make the best decision possible for Tasmania.

CHAIR - There has been a bit of a view in the community. The reason I've pushed you on this, Deputy Premier, is because there's sort of a view in the community that a decision on yes or no will be made in May, but that's not the case. Just to be really clear -

Mr BAYLEY - Can I just ask a clarification there because it feels as clear as mud, to be honest. There's a recommendation to the government, 30 May. Is that what you, Anton, are calling the FID?

Mr VOSS - No.

Mr BAYLEY - No, the Final Investment Decision is the decision of government?

Mr VOSS - Correct.

Mr BAYLEY - Which the Treasurer is not making a commitment to around when that will be. It'll be a minimum of 30 days after receiving the recommendations from Marinus Link.

Mr VOSS - Exactly, as the Treasurer is saying, there's a lot of material and it's not just us either, it's two other governments. It won't be next year because there are some contractual things with some of the businesses - they have to get it, they can't hang around. There's not an exact date to your point. It's not end of May, that's when the boards write to the shareholders, but it'll be in the months following that. There'll be a decision made by governments as they assess all these things. I don't know what the exact date is, but it won't be next year because that's too challenging.

Mr BARNETT - Can I just be very clear, we cannot commit to a date sitting here today in terms of what that date is. Between now and mid-year, we're getting all the information together, the whole-of-state business case. We've obviously got a relationship with the federal government, relationship with the Victorian government that needs to continue. There may or may not be developments there. You've got a federal election as well, in terms of what may or may not be on the table. We've made it very clear we support Marinus Link.

I think the federal government supports it. I am very pleased that it is broadly supported in Tasmania by both major parties and I recognise that - I want to put that on the table, for which I am very grateful - but there is a lot more work to do. In terms of that decision, that will be made at a time that is in the best interest of Tasmania. That is our priority as a government, but I cannot commit to a date today.

CHAIR - But it will be this year?

Mr BARNETT - It will be this year.

Mr BAYLEY - You have talked about lots of inputs and inputs coming from Hydro as well. I am really interested in the whole-of-state business case. One of the things that was really telling and alarming from the most recent OTTER's Energy in Tasmania Report, is the 9.3 per cent decrease in hydro generation as a result of very low rainfall over Hydro catchments. Have you got long-term rainfall and catchment modelling from Hydro that is being inputted into that whole-of-state business case?

Mr VOSS - Not from Hydro. There is, however, in the AEMO ISP profiles because hydro storage is important across the country, not just in Tasmania, they are also important obviously for Snowy Hydro. They do some estimates in their modelling to have dry years. They do have a look at that through their ISP, they also take into account, I believe, some climate change issues with regard to lower rainfall, but they also do a cycle based on dry years based on history.

It is in the ISP in those scenarios I mentioned before, step change, progressive change, they do deal with that, so we apply those as part of our modelling. That has come out of the AEMO ISP, not directly from Hydro, but yes, that is in there.

Mr BAYLEY - History is very different to projections obviously. Last year is not an isolated case. Under a climate change model, we can expect variations one way or the other in terms of catchments and rainfall. Hydro has this information and it does these long-term projections. Given Hydro and trading on the spot market and using Marinus to do so is one of the critical selling points of of Marinus, why is getting that long-term projection information and, therefore, having a clear understanding about Hydro's capacity to meet promises not a piece of information you are putting into this whole-of-state business case?

Mr VOSS - As I have said, we have looked at it from the AEMO ISP side -

Mr BAYLEY - Historically, as opposed to projections.

Mr VOSS - It is based on history to see what the impact of dry years are on the NEM and how they deal with that. As I said, I cannot recall the detail, Mr Bayley, but yes, I believe they also do have some climate change impacts more broadly in there.

Mr BAYLEY - Can we expect to see this sort of detailed intersection in the whole-of-state business case?

Mr VOSS - We do not explicitly talk about that. As I said, it sits in the underpinning. We do talk about it and it, I suppose, goes back to your point around Hydro and their capacity to generate, I think that is really what you are asking.

Mr BAYLEY - Completely.

Mr VOSS - We do talk about security and how some of those things might impact on them financially. Again, it is interesting because in those circumstances, if you get dry years, what actually happens is the prices for hydropower actually goes up because it is required for the system. Therefore, for dispatch going forward, there is a Snowy Hydro, for example, it costs them more to generate because the water is more valuable.

It is the opposite to what you might think actually happens in a financial sense. The broader question I think you are asking though is on water going into storages. As the Treasurer was saying, as you would be aware, energy security in the state is very strong. Outside of Basslink, we also have the Tamar Valley Power Station. We are the only jurisdiction in the NEM, when you look at the AEMO 10-year profiles that look at energy security and what is called unserved energy, that does not run into issues.

Mr BAYLEY - But that is a very different proposition and different part of the consideration to what underpins Marinus Link and what will make Marinus Link a viable financial proposition. A big chunk of that is Hydro's generation capacity and its ability to trade via Marinus Link into the NEM.

I am questioning and somewhat alarmed, to think that some of Hydro's longer-term catchment projections under a climate change model aren't factored into the decisions and the recommendations around a final investment decision.

Mr SWAIN - Some of us were around in 2015 when there was a year where there was a water outcome that was half the minimum recorded in the 100 years prior to that, so I'm very conscious of the issue that you're raising. It's why in the thinking that's going on, both in terms of the whole-of-state business case and subsequent advice that Anton and the Treasurer were referring to a minute ago, we are thinking about volatility as well as average returns. In terms of our thinking about risk, it won't be just that the modelling sets its average outcome each year. It's in any given year there could be significant volatility and is that going to be manageable. That's certainly part of the thinking. That would be the outcome of a dry year.

The other point, which Anton can talk to more eloquently than me, is we've had a lot of interaction with Hydro and they've done their own pricing and modelling on what they expect to happen. All the things that you're talking about would be picked up in their thinking which we've had access to.

Mr BAYLEY - That's the question whether that was specifically put in there. The Energy in Tasmania report shows that Basslink has been a net importer over the last 12 months. I guess what you're getting at there, Gary, is that Marinus isn't just a proposition around exports and capitalising on Hydro. You're talking about it in the context of an insurance policy in terms of ongoing imports from the mainland to prop up our inability to meet demand here in the state.

Mr SWAIN - I'm saying that the modelling that Anton's talked through by definition, it's going to give you outcomes that are more averaged over time. In any given year, you'll have variability, so we have to think about that in providing advice to the government - and we are, is what I'm saying.

The outcome of a dry year would be increased volatility in terms of returns and, as Anton's talked about, price outcomes will actually counter intuitively potentially get better so trading revenues could potentially get better. But we're thinking about averages, we're thinking about volatility and how it could be managed.

Mr VOSS - I think what's really important to understand, which goes to Gary's point around Marinus Link also being an option for imports, the nature of the generation mix in Tasmania going forward should change by quite a lot. That's what the models predict.

Mr BAYLEY - That's what the OTTER report shows already with solar up by 30-odd per cent.

Mr VOSS - Yes, and certainly with regard to the government's renewable energy targets as well. At the moment and not surprisingly, Hydro is the dominant generator in the state and they are looked upon as the energy supplier in Tasmania, which is true, but they're not, as you see, the only supplier in the state. Going forward, if you get the wind built that is an anticipated model, et cetera, plus you get Marinus Link come in which significantly enhances our energy security and therefore the ability to import solar and wind power from the mainland, or just power from the mainland, the nature of the generation mixes and who's generating when in Tasmania is quite different to today and quite different to the past.

If you look at what happens for example, Snowy Hydro on the mainland and you look at their generation profiles, during those the middle of the day in summer, winds blowing, solar is going, they turn off. They don't generate at all. They wait until the sun goes down, the wind's not blowing and demand comes in, and they come in and generate them. Hydro is looking forward with Marinus Link and more wind being built and the change in the broader NEM. Hydro's operating model changes. They shouldn't be looked upon as a base load provider in the state anymore. They come and fill gaps like Snowy does.

Now there's some technical issues in the system because the nature of Tasmania's stringy system with lots of generators, small ones, big ones all over the place, which is also being looked at and, from a technical perspective, how those things will be managed, but Hydro will become, in a strategic sense, more like Snowy Hydro. They'll generate far less during periods of excess renewable energy from other sources and they'll wait for those other periods to generate.

As Gary said, we look at the averages and you look at the volatility in those in those prices. If you look at the average price captured by Snowy Hydro because of the nature of the way they generate, typically when solar is going and wind's blowing, prices tend to fall in the National Electricity Market (NEM) because there's a lot of supply. If you look at the average price in, say, Victoria and you look at the price that Snowy gets (that's publicly available information), their price they receive reflects the value of their generation. The value of their generation when there's not as much renewables happening is obviously higher; there's more demand for that particular power.

There's a difference between the average price for electricity that everyone pays and the price that particular generator gets. Hydro will be the same. At the moment it's largely the same. The average price is similar to the Hydro price, not the same, because we do import over Basslink. However, going forward, if you get more wind and you get Marinus Link 1, the price that Hydro get is going to be quite different to the average price Tasmanians would tend to pay. Well, again, it varies by customer.

Mr BAYLEY - That's what I understood. The point of the question is more around not so much the price they can achieve at any one point, but their capacity to generate, in total, because of a drying climate.

Mr VOSS - Again, that comes back to that point. If there's other renewables, there's the capacity to import more, there's more security with regards to that. If they do get lower inflows, then there's other options.

CHAIR - I'll go to Craig, then back to Janie.

Mr GARLAND - Minister, when the bill was introduced to legislate the renewable energy target in 2020, in your second reading speech you said the 'Renewable Energy Target strengthens the position of Project Marinus' and 'the interim and final targets will only be achievable with the full commission of Marinus Link', i.e. both 750-megawatt cables. Do you still stand by that statement, that the TRET will only be achievable if both cables of Marinus Link go ahead?

Mr BARNETT - Thank you for your very good research highlighting what's been said about the target. That's what it is - a target. It's been legislated, as you've noted, to 150 per cent by 2030, 200 per cent by 2040. The message is clear that Marinus Link will absolutely help us get to that target.

Obviously, it takes a number of years to build. We're moving towards 2030 now, 2025. Between 2030 and 2040, Marinus Link absolutely will unlock more renewable energy development projects. That includes a lot of wind going forward, and of course other renewable energy, solar as well. You have battery as well, which you're probably aware of.

I'd expect that Marinus Link Stage 1 will give it a big boost to progress. Stage 2 is going to require a lot more thinking, and a business case will have to be prepared in and around Lake Cethana. Hydro Tasmania, for example, is doing a lot of work on that as we speak and have been for a number of years. It will be particularly advantageous to have a pumped hydro Lake Cethana going forward, if it the business case stacks up.

I remain very hopeful that we can proceed to, yes, Marinus Link 1, but, subject to the business case and everything stacking up, Marinus Link 2, which absolutely would boost prospects to reach the target by 2040.

Mr SWAIN - I want to pick up, there is some thinking around that in the whole-of-state business case - which the Treasurer hasn't yet seen because it's not finalised - but picking up what Anton said before. Part of the dynamic if Marinus 1 happens is Hydro's incentives and business model potentially changes to become more like Snowy. If Hydro wants to operate in the way Anton was describing Snowy, where it may not generate and is opportunistic into the higher price periods, it actually gives it more incentive to work with a new wind generator to help them get established in the state. It doesn't want to be providing all the base load into the current Tasmanian load. It needs some capacity to trade.

Marinus doesn't only just give us physical access to a bigger market, which would potentially help people making investment decisions about wind in Tasmania. It also changes the incentives and dynamic of Hydro, the biggest player, and makes them more likely to be supportive of new wind - and solar, for that matter.

Mr GARLAND - Also, minister, during that same second reading speech, you effectively conceded that the renewable energy target needed to be legislated in order for AEMO to declare Marinus Link an actionable project. There is no 200 per cent renewable energy target without Marinus Link. Now your government claims that because AEMO has declared Marinus Link to be an actionable project, the project must go ahead.

Since 2020, your government has made virtually no progress towards achieving the renewable energy target and has all but given up on meeting its 2030 target. There are no enforcement provisions forming part of the renewable energy target, no penalty clauses. Minister, is the renewable energy target just part of the circular argument to try to get a multibillion-dollar infrastructure project paid for by electricity consumers?

Mr BARNETT - Thanks very much for the question, and your interest in this matter. A couple things come out of that question. First of all, the target is a target. It has been legislated. It was supported through the parliament, and I am very pleased to acknowledge the broad support across the parliament - not all, but certainly the broad support.

I believe it has provided incentives for, not just stakeholders and investors, but also it has been made clear by the Australian Energy Market Operator that they appreciated that for and on behalf of Tasmania, acknowledged that. That has absolutely influenced their integrated system plan that they've put forward and the various scenarios under that plan as an actionable project, as you said in your question, so that's acknowledged. We really appreciate that, because they are the independent regulator, and they have made that decision based on the target, but a whole range of other factors as well, I am sure. I am not them, I cannot speak for them.

The other point I would make is that the integrated system plan is the plan for the national electricity market across the eastern seaboard and Tasmania, and they are the independent experts. It's not my say-so as a minister, it's their say-so as the independent regulator. Essentially, it's broadly supported by the various governments and those that invest in this space. They invest in accordance with that plan for an integrated system plan, which will take us through for decades to come. They review it, I believe, every two years, so we will get further updates from AEMO in future years as we go.

We have to adapt to the circumstances, but I am very pleased, confident and hopeful for Marinus Link in terms of the economic benefits for Tasmania, the energy security benefits, backing in the energy trifecta with the low-cost, reliable, clean electricity that we have in Tasmania. It backs in our strengths as a renewable energy powerhouse for Tasmania, which will deliver many benefits for Tasmania in a whole range of areas and, of course, benefits through to the rest of the nation as well.

Mr FERGUSON - Can I just jump on a follow-up question from that, which is really to the minister or to one of your team. Isn't part of the point of the whole-of-state business case to also assess benefits, potentially, to consumers. Isn't it the case, though, that for this very exciting project to ultimately lead to lower prices for consumers than they otherwise might be exposed to? I hope that is still the current thinking. I believe it is, and I believe it is being tested by that business case.

Mr VOSS - Yes, thank you. Yes, we are looking at that. We have found, in our modelling similar to the modelling that was done by Marinus Link and TasNetworks, that price is low and otherwise would be for wholesale energy prices. We have found something similar with regard to that. What caveats would I put on that? Again, it goes back to its modelling, as I said at the outset, major challenges around what that looks like. I'll explain why. Maybe it's useful for the committee to explain why that happens. The concept is that if you do Marinus Link, connect Tasmania to Victoria, and you allow Tasmania's extra renewable generation that is potentially going to be built here.

But importantly, Hydro's existing capacity - I went through with Mr Bayley earlier Hydro's ability to be able to generate a lot of energy. At the moment it can't get that energy off the island. The average demand in Tasmania, say 1200 megawatts and their kits over 2000 megawatts at any one time, they can't obviously run all that kit at once, all the time. They'll get into issues around storage levels, but they do have that capacity in those times when prices are very expensive in the mainland. Marinus Link opens that up.

All of that comes from their existing generation assets. If you're in Victoria and you have otherwise a lot of demand for electricity and Hydro is one of the options and other renewables in Tasmania to try to fill that demand gap, that does in the modelling help lower those wholesale prices than they otherwise might be if Marinus wasn't -

Mr FERGUSON - I think, that's their focus though was hoping to draw out of that because given Mr Garland's line of questioning, I just wanted to hear you say that or, at least, be reassured about it because, obviously, the government and the state, if we're to make the final investment decision at a later point, would be informed by the benefits of the state, not just to the state budget, not just to the economy, but also ultimately hopefully to the consumers of our power here in Tasmania.

I know that from a previous statement that was certainly a part of the thinking to ensure that was all taken into account -

CHAIR - Is that a statement or a question?

Mr FERGUSON - I'm thanking him for the answer because I do feel reassured and I hope that the committee does as well.

Mr VOSS - We'll provide this. This will be part of the whole-of-state business. There're a lot of moving parts because we're in wholesale energy. You've also got transmission impacts which will be there.

CHAIR - Can I go to that point? Just to follow up from your question, Michael, there are models and experts that say, and we've heard from some major industry players that live and breathe this space because of the huge input costs they have, they say that Marinus Link will increase electricity prices and price volatility in Tasmania. You're saying that they're wrong in that?

Mr VOSS - Not necessarily. It depends on who the customer is. It depends on the broader path of electricity prices across the NEM. One of the challenges we're finding with the business case is because there are a lot of moving parts trying to make it a simple story -

CHAIR - It's not a simple story.

Mr VOSS - It's not a simple story, so you've got transmission cost implications. We're obviously building very expensive on island kit, we're building Marinus Link, which is a very expensive piece of infrastructure that'll clearly have impacts on customers, it's going through the regulatory front, like some customers have more of an impact than others.

CHAIR - When you look at the networking costs being currently 42 per cent of the price stack, we add a whole heap of new expensive kit into that which the AER, the regulator, has to

take into consideration. It would almost have to be a fact, wouldn't it, that certainly initially prices will go up in particular in the large component that is the transmission costs in a person's bill that they get to pay?

Mr VOSS - Absolutely. There's a question about the extent, and as I said, it depends on who the customer is. Some customers pay for more transmission than other customers. Yes, it is inescapable. Prices in the transmission component will go up - it has to, to your point, that's certain. It's just the extent who the customer is, et cetera.

The question around the wholesale prices and this is where it gets a bit difficult. The Tasmanian electricity prices are linked to the NEM. They're linked through market prices, Hydro's price is linked. If you look at a long run history of Tasmanian, Victorian wholesale energy spot prices - and I go into this for what the committee wants around the differences around spot prices and contract prices and hedging and all those pieces - but broadly, we follow Victoria's prices for a whole range of good reasons and as you know through the regulatory process as well, they look at Victorian prices for small business and mums and dad pricing. As I said, we connect Marinus Link up, Tasmania and Hydro Tasmania help keep, I suppose, downward pressure on the Victorian prices.

CHAIR - On the wholesale price?

Mr VOSS - On the wholesale price.

CHAIR - Let's be clear about what we're talking about.

Mr VOSS - On the wholesale prices of the components of the bills - maybe I will step back a little bit. There are retail costs of bits from Aurora, transmission costs, there are distribution costs for mum and dad and small business. Major industrials, for example, don't pay distribution costs, and there are energy components. You see there are different pieces?

CHAIR - Yes.

Mr FERGUSON - Don't you need to talk about revenue though? Back to Hydro as well?

Mr VOSS - I can come back to that too.

CHAIR - I want to follow this path for a minute.

Mr FERGUSON - Okay, is it very important.

Mr VOSS - It is important. The transmission cost component, to your point, Chair, it is inescapable when you are building a lot of kits, so that will go up as we said. Because of the linkages with Victoria, Tasmania is able to keep some of those high price events down, so we see it in the modelling in Victoria. That helps; those Victorian prices are lower and therefore Tasmanian prices are lower.

The difficulty is, it is lower than others would be. So, from a customer's perspective, it is not apparent to them that, if they did not build Marinus Link, the wholesale energy process would have been higher. They will not see that in the bill. That is actually quite challenging for government.

CHAIR - It is like preventive health.

Mr VOSS - Correct. You will not actually see it. Again, it will change every year and there are different things that move it around, but that is one of the difficulties around this. It is like, well, if we did not do it, the wholesale energy price, considering we are still linked to Victoria, would have been higher, but I do not know that because I have not got the counterfactual, other than the work we have done. So, that is the difficulty. The only other thing I was going to say was that there are some broader challenges. It is downward pressure, but there are challenges across the NEM over the next 25 years. The exit of coal is challenging and it is going to see upward pressure overall on wholesale energy prices across Australia. That is the reality.

CHAIR - On that, when we look at the wholesale energy price, as we retire coal and, probably before we retire the coal, we put more other renewables into the system which is the plan, and then there is the demand increased for electricity that is not coal generated, so we are going to have more renewals coming in. So, during the day we are going to have, I would assume, a flattening of the price points. The negative prices we are seeing now, once people start using all that low-cost energy or the lower priced energy will disappear because everyone will be using it so naturally the price will creep. You will have a higher low but a lower high wholesale price. Is that a likely scenario?

Mr VOSS - I think you are right with regard to the prices during the day. You will see over time - batteries are an example. We have talked in the past about Hydro being Battery of the Nation, the ability of them to have to, as I said before, not generate and that there are other supply options in the state, like from the mainland, from solar, allows Hydro not to generate, so they can sort of build their storages up, but more broadly, batteries are modelled in the AEMO ISP.

You see more batteries, actual chemical batteries, as opposed to hydro batteries, being built across the NEM. What they will do is they will play a sort of similar role. They will suck up some of that renewable energy. There is going to be an excess of that stuff around, from solar potentially, and that can be dispatched at times when the sun is not showing or the wind is not blowing but, to your point, there will be more demand for that low price electricity.

From an economic perspective, yes, that should push those sorts of prices you see at the moment, at times, negative. I am just looking now, Victoria is \$8. It should push those up a little bit, but you will still get those broad areas where there are prices that are higher and lower through the NEM. Again, just to be clear, you mentioned wholesale electricity prices. We are talking here about the spot market. Every five minutes, 24 hours a day, 365 days a year, you know, the price has changed -

CHAIR - It would be negative right now, wouldn't it?

Mr VOSS - It is \$8.95 in Victoria at the moment. It will change in five minutes and we can tell you what it is, but that is not the same as the prices, their inputs ultimately, but they are not the same as the prices that mum and dad pays. Obviously, you do not see that happen. They look at long-term averages, or averages over a year, and they incorporate those into the regulatory processes. I mean they underpin it, but it is an average price still.

CHAIR - What is going to be the impact on this government - to Michael's point, that is the cost side. What impact will it have on the revenue side, for Tasmania's perspective, which is our government businesses effectively?

Mr VOSS - Yes, and that is the benefit from the state's perspective, as I said before, the Hydro's ability to be able to generate at different times, and hopefully generate less when prices are \$8.95, that we will see an increase in their revenues going forward. It reflects the value of hydrogeneration in the National Electricity Market.

CHAIR - If we get time, we will come back to how that could benefit Tasmanians in terms of our concessions and our other support to customers. I know we have cut Janie off a couple of times, so I will go back to Janie and try to come back to that.

Ms FINLAY - Thank you, Chair. The conversation flowed and moved on a little bit from some of the questions that I wanted to ask. So if you do not mind if I just go back a step. I am just wondering, Treasurer, whether there is any parallel work - I was back at the whole-of-government business case with my questions. I'm wondering if you're aware of, or if there is any work happening in parallel, so separately to the Tasmanian share our equity contribution to Marinus, and if there's any work going on about whether you remain committed or with consideration to withdraw from that? If you're aware of any work going on around that?

Mr BARNETT - Thank you very much for the question. As you know, shares are on the public record in terms of our 17.5 per cent and the Fed's 50 per cent and likewise with Victoria. Obviously, as we progress towards making an important decision for and on behalf of the people of Tasmania, we will take into account the reports, the whole-of-state business case, information from Hydro, and from the Independent Regulator. Obviously, we have a relationship with both the federal and Victorian governments which is positive and collaborative. We communicate with the federal government on an ongoing basis. I expect that we'll consider that very carefully in terms of those opportunities to progress the project and in terms of that equity share, that will be a decision that will be made in due course.

Ms FINLAY - Thank you, Treasurer. My question was actually separate to the whole-of-government business case, whether that you're aware, or if you've got any work happening separately to that process at the moment?

Mr BARNETT - We have a lot of work on going at the moment. Treasury has other work that's ongoing. With the Department of State Growth, we have regular meetings with respect to this important project. The Minister for Energy and Renewables and I meet regularly with our shareholder, as shareholders with our government business enterprises, so we take on board advice on an ongoing basis, I would say on a consistent and regular basis, and obviously, discuss these matters with the Premier and others within government.

We'll continue to take on board advice and be prepared to make a decision. We want to get the information, we want to review the whole-of-state business case and as much information that we think is relevant to put Tasmania's interest first. This is all about putting Tasmania first. We've had a record since 2014 of having the lowest or being amongst the lowest electricity prices in Australia since 2014. They've actually gone down in real terms for residential customers, regulated and likewise regulated small businesses of about 40,000. We're very pleased with that record. I just wanted to put that on the record in light of an observation made earlier by one of your earlier witnesses.

Those are the facts from Tasmania's point of view. We're always putting cost of living, cost of doing business as a priority for our government. Electricity prices are very much part of that, as is concessions for concession customers.

Ms FINLAY - Given the sort of non-answer there, can I ask a different question? In your introduction, you talked about the government review processes and being able to take any questions on that. I am interested in the formation of ReCFIT as it happened at some point when it came out of Energy and into Treasury, and I know that there are some changes there with Mark Bowles leading around that entity. I am wondering whether ReCFIT is currently being reviewed as well and whether you have any mind about that continuing, moving back into Energy, staying where it is, what your thoughts are around ReCFIT at the moment in terms of its impact on energy?

Mr BARNETT - Probably, the first thing to say is that ReCFIT is part of the Department of State Growth.

CHAIR - It was with Treasury originally. It was moved into State Growth.

Mr BARNETT - Yes, that was some years ago. I haven't got the exact date with me, but I was not the minister at the time. Anton might recall the exact date.

CHAIR - It was when Premier Gutwein was Treasurer; he wanted to keep it in Treasury. Let's be honest about that.

Mr BARNETT - It's part of Department of State Growth. I acknowledge their record and their excellent work. Anton, of course, was the director of ReCFIT for some -

CHAIR - ReCFIT is going to appear with the Minister for Energy at a later time.

Mr BARNETT - Excellent, no problem, but Anton is here from Treasury, whole-of-state business case, obviously. My secretary and the executive director, Nick Merse as well.

Mr SWAIN - Just very briefly, I was going to say we are working closely with ReCFIT on a whole range of issues. ReCFIT and State Growth are involved in the whole-of-state business case. There's a sort of overall program coordination function that ReCFIT's leading. It's probably important to recognise there's an integrated work program happening across different agencies. It's not in little separate pods.

CHAIR - One would hope so.

Mr SWAIN - Well, given the nature of the interconnectedness, it's impossible to look at it any other way.

CHAIR - While we have time, some of the evidence was received early today - and I know you're aware of that, Deputy Premier, particularly with the concession payments or the rebates that were provided by state and federal. They were provided across the board to everyone including to all of us around the table who probably didn't need it, in many respects, nice as it was. For some who are really struggling, there's been some evidence provided to the committee that other things might have been of more help than an across-the-board rebate. Is

Treasury looking at these sorts of things in order to support customers who are struggling with energy poverty?

Mr BARNETT - I think the first thing to say is, yes, this is at the forefront of our mind and that's why the government has had a proud record of supporting vulnerable Tasmanians. We provide amongst the highest level of concessions across Australia, state and territory and we're pleased and proud of that record.

I've some research here which says that in the 2024-25 financial year, Tasmanian concession customers will receive up to \$1433 in electricity bill relief. That's approximately 68 per cent of the total bill for concession customers with the medium level of consumption. You've referred to the energy bill relief rebate, the \$250, the \$300 from the federal government energy support and I should mention the \$250 - Tasmanian Renewable Energy Dividend.

In terms of the proven track record in 2024-25, the annual electricity concession will be approximately \$633. That is in addition to those rebates and support I've mentioned.

CHAIR - A lot of those people who are receiving concessions are living in houses that are not energy efficient. They rent them, they're not able to make modifications to the home themselves. Wouldn't it be better if we could reduce their energy consumption in addition to, perhaps, providing them some relief for their actual bills?

Mr BARNETT - It's really on two counts: electricity prices in terms of being the lowest or amongst the lowest in Australia in terms of the last 10 years, less in real terms -

CHAIR - But they're not seeing this on their bills. They're not seeing it because their homes are not energy efficient. They're higher consumers of energy or electricity than you or I probably are.

Mr BARNETT - Yes, noted. Tasmania is a cooler climate and so we use, on the whole, more electricity than perhaps someone on the mainland.

CHAIR - We both live in a cold climate. What I'm trying to get to is I've a house here that's well insulated. The house next door is not. I heat my house to a level that's comfortable. For me to pay to do that is less than it will be for the person next door. How do we assist the person next door who may not own their own home, or may own it but it's not energy efficient?

Mr BARNETT - I think for the person next door who may be on a concession or a concession card holder, they will be receiving the concessions which are amongst the highest in Australia.

CHAIR - But they're still using more energy. Is there any consideration being given to help them reduce their energy consumption, not just to have a lower price through the concession?

Mr BARNETT - The government has at the forefront of our mind, cost of living, cost of doing business, and we're proud of the track record. We realise there's always more work to do and, of course, I'll have more to say about the renewable energy dividend bill credit which will be coming Tasmanians' way in the very near future. That's based on Hydro's dividend. If

Hydro does well, Tasmanians will do well. That's based on our policy, which was announced at the election.

CHAIR - Thank you.

Mr BAYLEY - Can I just go back to Marinus Link and the budget? There was \$103 million in the budget to make TasNetworks whole. This reflected Marinus Link's ownership leaving its hands and going into the three-way partnership with the federal government - 49 per cent, 33.3 per cent and 17.7 per cent. I'm interested in that \$103.5 million. What contributions did the federal and Victorian governments to making TasNetworks whole in relation to the money they'd expended on Marinus Link?

Mr SWAIN - The \$103 million, it's really a state commitment to TasNetworks to make it whole. There is an arrangement between the jurisdictions and the shareholder agreement which has a full recognition of the contribution of Tasmania to date. There can be no requests for additional contributions from Tasmania until that recognised amount is dealt with. I think that's probably all I can say on that right now.

Mr BAYLEY - The federal government and the Victorian government didn't make any contribution to help make TasNetworks whole? That was solely Tasmania's responsibility? There's a recognition that should it go ahead, that extra \$50 million, if you portioned out of the \$103 million, 49 per cent for the feds, that's roughly \$50 million; Victoria's 33.3 per cent, that's \$34 million. So, effectively, Tasmania is carrying \$84 million contributions on behalf of the federal and the Victorian governments.

Mr SWAIN - I wouldn't characterise it like that. I'd say we have made contributions to date and we won't have to make any more until that previous investment has been fully absorbed, if you like.

Mr BAYLEY - What happens if there's not an investment decision, if you come out of this whole process and you or one of these parties decides not to go ahead and the thing falls over? What happens there in terms of the \$84 million that Tasmania is down at the moment?

Mr BARNETT - The government as I said earlier, is looking at all the evidence, the best available evidence, to make a decision that's best for Tasmania. We're very hopeful. We remain very positive about Marinus Link, subject to a lot of information still to be assessed and reviewed. We'll have more to say in due course once we've assessed all that information so we can make the best decision possible.

The point that my secretary has just made is that we've already made a contribution. We've already progressed. I think the member for Braddon referred to how this has been going on for some years with support. I'm very pleased with the bipartisan support and the support of the business community. We're progressing a very major infrastructure project which is not yet got to financial investment decision. Once we get there and once we are able to make a decision, obviously in terms of costs and contributions and investments made to date, we'll have more to say about that and the return for the Tasmanian community accordingly.

Mr BAYLEY - Why didn't the federal government and Victorian government make a proportionate contribution to make TasNetworks whole?

PUBLIC

Mr SWAIN - The Treasurer and Anton may have this history, but there's also historical contributions that have come from the Commonwealth that have gone into supporting these projects. I think the amount was \$50 million in about 2015. There have been some other additional payments in the past that have, if you like, allowed us or assisted us to progress the project which we now have an equity stake in.

CHAIR - Is that information, how much has been put in by other parties, particularly the Commonwealth, available? Could you provide that to the committee? How much has already been put in by the Commonwealth?

Mr SWAIN - It would have been a revenue line from the Commonwealth and the budget of the day.

Mr BARNETT - I should also note the contribution from the former government to Tarraleah - which I was at yesterday. Very grateful for that contribution of some \$65 million. Yes, we're more than happy to update the committee once we can get that information. I am pretty sure, it's all on the public record, but we'll update the committee as best we can.

Mr BAYLEY - The Victorian governments got a 33.3 per cent stake in a project that has a notional value of at least \$103 million, which sounds like \$153 million.

Mr VOSS - Just to be clear, I think there's been, just as the minister said, we had our contribution recognised that we previously spent as equities, our 17.7 per cent share. The Commonwealth, as was said, has already poured some money into these projects; that was not recognised as equity. We got our contribution recognised, theirs was not; and they have put in, as has Victoria, additional equity payments. They have put money into the project, if that is what you're asking. They haven't contributed to the Tas Networks piece. Our TasNetworks contribution has been recognised as equity in Marinus Link Pty Ltd.

The Commonwealth and Victoria have subsequently poured actual further money into that vehicle in line with their equity shares. So that is how it has worked. Ours was already prepaid, recognised. The feds put some additional money in the various projects, including Tarraleah, that were not recognised. They then put additional money in as has Victoria in line with their equity share -

Mr BAYLEY - They are funding Marinus.

Mr VOSS - And it is funding Marinus today, yes.

Mr BARNETT - Chair, through you, more than happy to come back and update the committee with the relevant information.

Mr FERGUSON - I would be happy for you to take this on notice, Treasurer, given the time. I feel like there is an important piece of the understanding that has been missing from most of our narrative today. That is the revenue piece. I would be grateful if you could take it on notice that, given that there are a number of large energy projects in different stages of development, including Tarraleah, Marinus, and potentially, Lake Cethana, how can they make money for the state in a way that our consumers get looked after? If you would be good enough to take it on notice, I think that will help complete the picture for the committee as well.

PUBLIC

CHAIR - Would that be a DD, would it?

Mr FERGUSON - Nope. I do not appreciate that. I have asked a genuine question and I think it is an important piece of the puzzle.

Mr BARNETT - Thank you, will do.

CHAIR - We will send those through to you in writing, Deputy Premier, as we generally do. It might be in a couple of days. Thank you for your time today. We will send those through at a later stage.

Mr BARNETT - Thank you very much, thank you to the committee.

The witnesses withdrew.

The committee adjourned at 12.59 p.m.