



Parliamentary Standing Account of Public Accounts

Media Advisory

Wednesday, 19 June 2024

Final Report:

- **Inquiry into Hydro Tasmania and the Termination of the Basslink Services Agreement**
 - **Short Inquiry into the Tasmanian Government's TFES Funding Model**
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Hydro Tasmania and the Termination of the Basslink Services Agreement

On the 23 February 2022, the Committee resolved to inquire into the decision by Hydro Tasmania to terminate the Basslink Services Agreement (BSA) and the financial and other implications this may have for Hydro Tasmania and the State of Tasmania.

On 20 December 2015, Basslink ceased operations as a result of a fault in the interconnector, approximately 100 kilometres off the Tasmanian coast. The interconnector services were not restored until 13 June 2016.

The cause of this failure was disputed by the parties. Hydro Tasmania and the State of Tasmania subsequently terminated the agreement following the 2020 arbitration concerning the cause of the 2015 major Basslink outage. The arbitration process found in the State and Hydro Tasmania's favour and confirmed the link could not meet the capacity requirements set out in the Basslink Services Agreement, and that the owner of Basslink should pay compensation to the State of Tasmania and Hydro Tasmania.

The legal matters related to the breach of a number of key provisions in the Basslink Service Agreement were resolved on or around October 2022. Of particular note, the State of Tasmania and Hydro Tasmania were successful in recovering most of the monies owing post-arbitration.

The arbitrator awarded the State approximately \$47 million including \$38.5 million under the Basslink Operations Agreement arbitration award, arbitration costs of \$7.2 million and interest on the outstanding awards amount to 3 June 2022 of \$2.2 million. The State was also awarded post-insolvency costs and other adviser costs from the insolvency to 30 June 2022 of \$1.6 million, received in October 2022.

The new owners of Basslink Pty Ltd, APA, and Hydro Tasmania operate under a Network Service Agreement that operates in a similar way functionally to the Basslink Services

Agreement with the previous owners, with some differences to benefit Tasmania. This agreement terminates on 30 June 2025 or when the Basslink interconnector becomes a regulated link, whichever occurs first. This agreement can be extended with the agreement of both parties. Basslink Pty Ltd is currently progressing an application through the Australian Energy Regulator (AER) to convert Basslink from a Market Network Service Provider (MNSP) to a Transmission Network Service Provider (TNSP).

The Committee makes 25 Findings and notes the successful outcome financially for the State and Hydro Tasmania through the legal proceedings. The Committee makes no recommendations.

Short Inquiry into the Tasmanian Government's TFES Funding Model

The Committee responded to a letter from Mr Dean Winter MP drawing to the Committee's attention concerns about the modelling that had been used to develop the proposed funding model for Tasmanian Fire and Emergency Services (TFES).

The Committee through its 'own motion' resolved to conduct preliminary inquiries into the matter and write to the relevant Minister to seek further information with respect to the Tasmanian Government's proposed new fire levy including:

- the methodology and modelling used by Treasury and/or any other third party the Government had relied upon to inform them of the proposed Tasmania Fire and Emergency Services Funding Model, and
- the details of any meetings and/or communications between lobbyists and the Tasmanian Government with regard to the proposed Tasmania Fire and Emergency Services Funding Model.

The Treasurer Hon Michael Ferguson MP provided further information to the Committee which forms part of this Report.

During the process of this short inquiry the Hon Felix Ellis MP (Minister for Police, Fire and Emergency Management) made a determination not to proceed and stated this proposal was no longer Government policy.

The Committee determined to report the information that had been provided by the Treasurer and Minister Ellis.

The Committee made no findings or recommendations.

Members of the Committee at the time of the Report's completion were:

Legislative Council

Hon Ruth Forrest MLC (Chair)
Hon Luke Edmunds MLC
Hon Bec Thomas MLC

House of Assembly

Mr Simon Behrakis MP
Mr Mark Shelton MP
Mr Josh Willie MP (Deputy Chair)

Further information about the Committee and a copy of the tabled report is available on the [Committee website](#).

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Further information: Ruth Forrest MLC (Chair) – 0419 879 524