THE PARLIAMENTARY JOINT SELECT COMMITTEE ON ENERGY MATTERS MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART ON MONDAY 22 JUNE 2026.

The Committee met at 2.01 p.m.

CHAIR (Ms Forrest) - Welcome, Minister, thank you for your appearance before the Committee today. We're trying to wrap up the inquiry, effectively, but the reason we particularly asked you back today is because we haven't heard from you as the Minister. You were on leave for a period during this year since the election, and we wanted to hear from you particularly around the decisions made around the Whole-of-State Business Case, during and after the 2025 election period to now. Our interim report reported up to that date. This is to cover evidence from the calling of the 2025 election through to now. That's where we are focused at the moment.

Obviously, I think your team know that everything you say is covered by parliamentary privilege while you're before the Committee. If there's anything of a confidential nature you wish to share with the Committee, you could make that request, otherwise it's public. If you have any other concerns or questions, I think you all have done this a number of times. Minister, do you wish to make any opening comments?

Mr DUIGAN - Thank you, Chair, and I thank the Committee for obviously a substantial amount of work on this important subject, and energy is, of course, a critical sector for Tasmania, not only to support the needs of our daily life, but also as an enabler for future growth in our state. I note, as I have said, the extensive work of this Committee, and look forward to reading the final report, having received the interim report in recent weeks. With me today, senior officials: Vanessa Pinto, Dep Sec, Renewables, Energy, Climate, ReCFIT (Renewables, Climate and Future Industries Tasmania); and Sean Terry, Executive Director of Energy within ReCFIT.

Of course, Tasmania has an impressive renewable energy advantage and there is a great many opportunities available to grow our economy through new projects, support regional communities through job creation and community benefits and secure our long-term energy future so that Tasmanians continue to benefit from our renewable advantage. The government is continuing to deliver on that energy agenda following the positive final investment decision (FID) late last year and with the North West Transmission Developments (NWTD) now achieving financial close, Project Marinus is moving from planning into delivery, and it is, of course, the most significant energy infrastructure investment in Tasmania's history. It will bring jobs, deliver economic value and facilitate the delivery of new energy generation and load on island. The value of Project Marinus to Tasmania is not solely based on exporting additional energy; it's about providing greater flexibility to utilise our existing assets more effectively.

On the other side, new load can provide greater grid stability and allows our transmission cost to be spread over more load, lowering costs and making our energy-intensive industries more cost competitive. Importantly, a new load can help pull through new energy generation projects, and we have been very clear about this requirement. We have the energy generation pipeline to support new load in Tasmania, with more than 5 gigawatts in projects across wind, solar and storage at various stages.

It's also being supported by national policy settings, including the Commonwealth's Capacity Investment Scheme, and I'm pleased to see Tasmanian projects successfully participate in that process, supported by our case-management function as part of our Renewable Energy Approval Pathway (REAP) program within ReCFIT. Plenty to get along with, and I welcome the Committee's interests and questions around energy and examining some of the detail.

CHAIR - Minister, I might just lead off, and we will go to others on the committee as well. Minister, just going back to the modelling that was done for the Whole-of-State Business Case, because we haven't had the chance to ask you about a lot of these matters: what was the amount of new renewable generation, in megawatts, and the timing in which it would be delivered - did the Whole-of-State Business Case assume was required to support Marinus Link, and how does this compare to the 800-megawatt least-regret figure Hydro Tasmania landed on, according to what letter you wrote to us a little while back?

Mr DUIGAN - I would point to the number that you've referenced there, being the 800 megawatts by 2034, being the supporting case for the projections that the government has seen. I think the mid case, if you like, in terms of specific modelling around levels of VRE, noting that the Whole-of-State Business Case is a Treasury document, I'm sure ReCFIT had plenty to do with it, so I will ask Sean.

Mr TERRY - That's correct, noting we got updated modelling for the purposes of our FID assessments. I think we just need to distinguish between the Whole-of-State Business Case modelling undertaken by Treasury and then the modelling that was used for the FID assessment. They largely align, so the numbers we used for the FID assessment are also 800 megawatts of new Variable Renewable Energy (VRE) to unlock that trading opportunity for Hydro.

CHAIR - How's that progressing, according to that expectation?

Mr DUIGAN - Well, I would certainly point to the fact that we have tasked Hydro with going to market to support 500 megawatts, at least 500 megawatts, of new generation. Hydro's currently in its second iteration - its second EOI or approach to market for securing and partnering with those proponents in the state. In the first round a deal was signed with - a PPE was signed with -

CHAIR - A PPA (power purchase agreement).

Mr DUIGAN - PPA, not a PPE - with Northern Midlands Solar Farm. As I say, Hydro's back in the market with other renewable proponents at the moment.

CHAIR - Who are the other ones they're actively engaging with?

Mr DUIGAN - I don't believe I'm at liberty to discuss those things. I think there is a great many, I would assume. The way it worked, Hydro went to the market and said, we're looking to partner, and anyone who's interested in doing a deal with Hydro was welcome to take part in that process.

CHAIR - Do you believe you will get to the 800 megawatts of new renewable that's necessary for the Business Case to stack up?

Mr DUIGAN - Yes. As I said in my intro, there is 5 gigawatts of projects going through the - in the pipeline, and a lot of those are -

CHAIR - Those have been going for a long time.

Mr DUIGAN - Yes, but that's the way of the world; that's the way the approvals process works. I would also point to the fact that having certainty around Marinus provides some greater impetus to those projects, and ability for them to get their electrons to market. I think we are seeing a greater level of progress than we had previously. I think there had been something of a stalemate.

Mr BAYLEY - Thanks, Minister, for joining us again. In relation to this and projections going forward in the Business Case, last week in the caretaker convention committee, you said numerous times, as did some other witnesses, that you basically withheld information from the Commonwealth during negotiations by not letting them look under the under the hood of Hydro; that's an omission that could cost Tasmania dearly into the future if things don't work out. Why did you do that and what were the things that you didn't want the federal government to see under the hood of Hydro? Does it relate to these projections or are there other things that you didn't want the federal government to see?

Mr DUIGAN - Well, I think as a broad principle, the federal government would have some interest in what's the upside for Hydro and whether that should in some way offset how much it would invest into Project Marinus. So, if the federal government saw substantial upside for Hydro Tasmania, as may have been reported in the Whole-of-State Business Case, then it may have felt less inclined or less compelled to provide more support for Tasmania.

Mr BAYLEY - Why is that? Is that simply because Tasmania should be expected to do it on its own two feet because of the profitability for Hydro or is it something to do with Snowy 2.0 and the competition between the two? What is it that was driving their negotiation then?

Mr DUIGAN - Well, it is the fact that Tasmania is one of the few jurisdictions that still owns its major generating assets, and by proxy they can be seen as an arm of government. If the generator is doing well then the government is doing well and that might obviate the need for the federal government to step in to provide support where we would say it's not something you'd be asking AGL - wouldn't be letting you look under the hood to see what sort of dollars they were going to make and the same should be true for Hydro Tasmania.

Mr BAYLEY - AGL is not a public company and they're not a shareholder in the exercise.

Mr DUIGAN - No, my point is if this were being contemplated in a jurisdiction where a privately-owned company owned the generating assets, they wouldn't be leant on to do the heavy lifting.

Mr BAYLEY - Do you still think it's appropriate to sort of withhold this kind of information from a negotiating partner, a shareholder in the project?

Mr DUIGAN - I would say -

Mr BAYLEY - In many ways it's misleading by omission because they're not getting to see the full story.

Mr DUIGAN - No. I would say it's absolutely appropriate that I try to secure the best deal possible for Tasmania.

Mr BAYLEY - Including by withholding information? Isn't it by the strength of the argument and the strength of the negotiation based on the data that's on the table?

Mr DUIGAN - I don't agree with your characterisation. I will continue to put the interests and the outcomes for Tasmania above those other considerations.

Mr BAYLEY - What happens if the assumptions that the federal government were left with - assuming because they didn't have access under the hood - what happens if they don't come to fruition and cost them more? Do you see any liability for Tasmania as a result of this?

Mr DUIGAN - No. I think what is generally and broadly acknowledged is that Project Marinus is good for Tasmania, but it also provides benefits for the national electricity network and for Victoria and the Commonwealth Government and shareholders in that outcome, and they have made their investments in full view of those benefits that will be realised.

Mr BAYLEY - Just for the record, not everyone thinks that there's a body of evidence around the costs that Marinus will bring to the Tasmanian community and indeed the misguided strategy of pursuing it that I'm sure we'll come to later as part of questioning. I mean, Bruce Mountain released a report just last week in relation to Marinus. Matt Kean just prepared some questions about the viability of Marinus, which I also want to come to at some point, in relation to data centres and the amount of energy that they're looking at going into.

CHAIR - Please ask the question, we are going to run out of time.

Mr BAYLEY - Let's go to the data centres then. You spoke before about the Whole-of-State Business Case and FID modelling assessment. I guess since then we've heard of some really huge aspirations of energy consumption by Firmus, as one company - 400 megawatts. Were those consumption figures considered in the financial investment decision modelling?

Mr DUIGAN - For the base case, and I'll come to you in a moment, Ness [Vanessa Pinto], because you have good detail around this - essentially no, I don't think. It sort of looked at a more organic low growth. There was a case that looked, you know, sort of this organic low growth and then there was a step change model examined as well and I think a 400 megawatt in one sort of bite would fulfil the needs of step change. But Ness, for the detail around what was looked at and what was assumed in the mid-case.

Ms PINTO - Through you, Minister, yeah, there was a consideration of additional new load into Tasmania over and above organic load. Numbers of around 300 megawatts was considered towards the latter years. I'm talking from commissioning onwards that was being considered.

Mr BAYLEY - Latter years being when?

Ms PINTO - 2030 onwards, in that sort of timeframe.

Mr BAYLEY - Firmus, it's on the record now saying it's looking for 400 megawatts. Can you confirm: is that the extent of it? Do you know if it's looking for more? How much is it looking for in Wesley Vale specifically?

Mr DUIGAN - I think for all three stages it's circa 420 or thereabouts.

Mr BAYLEY - Can you detail your knowledge of what that is for each particular project: St. Leonards, George Town, Wesley Vale?

Mr DUIGAN - Yes. St Leonards,104 [megawatts]; George Town, Bell Bay, 288 [megawatts]; and Wesley Vale is 40 [megawatts]. That's my memory, but it is of that nature.

Mr BAYLEY - But Firmus also announced at the time that they've got a long range goal of 300 megawatts, I think, for Saint Leonard's.

Mr DUIGAN - Not that I have been made aware of, I don't think.

Mr BAYLEY - Right.

Ms PINTO - Through you, Minister, just to confirm: 444 megawatts, so 104 megawatts as the minister had noted at St Leonards; 288 megawatts at the George Town area or Bell Bay Area; and then approximately 50 to 52 megawatts at Wesley Vale.

Mr BAYLEY - So, that's already 144 megawatts ahead of the 300 mid-case scenario. We understand that there's an aspiration for an additional 300 megawatts for St Leonards alone. What does that do for the viability of -

Mr DUIGAN - Sorry what was that?

Mr BAYLEY - We understand that at the time that they announced the 104 megawatts for St Leonards, there's actually a long-range goal of another 300 megawatts there.

Ms PINTO - Total 300?

Mr BAYLEY - Total.

Mr DUIGAN - I've not heard that.

Mr BAYLEY - I guess it begs the question, if this is the case - you know, Matt Kean, the former New South Wales Energy minister and chair of the Climate Council [Climate Change Authority], is on the record last week saying, 'You can't have both. You can't have this kind of data centre demand in Tasmania and a viable business case for Marinus going forward'. What do you say to that?

Mr DUIGAN - Well, I would say that Matt Kean has made the point and I think that, you know, large-scale data centres on mainland Australia probably make emissions reductions more challenging there. I think that has been pretty well elucidated.

Mr BAYLEY - Back to the point –

Mr DUIGAN - My understanding of the Climate Council is that the Marinus case has not been discussed by the Climate Council, and so Matt Kean, while he has made some comments, I don't think they're reflective of the Climate Council, in my understanding of follow-up conversations with him.

Mr BAYLEY - But you can see the logic?

Mr DUIGAN - Well, to a point.

CHAIR - Can I put it to you, Minister, and if you're going to build 400 [megawatts] or how ever many it's up to now -

Mr BAYLEY - Could be over 700 [megawatts] by the look of things.

CHAIR - Lets say -

Mr DUIGAN - I think we need to be careful with what we're talking about because, you know, people run away with -

CHAIR - It's over 300 megawatts.

Mr DUIGAN - We know, at the moment, I think there's 400 [megawatts] on the table.

CHAIR - Let's say 400 megawatts of extra load.

Mr DUIGAN - Yes.

CHAIR - Okay. The Business Case relied on, as a base case or a mid-range least-risk approach, of 800 megawatts of new energy. So, doesn't that then by design, because these weren't necessarily contemplated, mean that the on-island we're going to have to build an extra roughly 400 megawatts of energy to make the business case stack up, in addition to the 800?

Mr DUIGAN - Yes, but that's nothing new. We've always been very clear whether it be hydrogen or whatever it be, new load comes with new generation.

CHAIR - So that's used there and is not available for export because Hydro's business relies on exporting into the market.

Mr DUIGAN - Hydro continues to participate in the market and we continue to see the need for new generation to support new load.

Ms FINLAY - Given that you've outlined to the committee today that this wasn't contemplated, there was one 300-megawatt increase contemplated in the assessments, then what -

Mr DUIGAN - I think there were a number of low growth, you know, a mid-growth and a high growth. I think there were three scenarios contemplated.

Ms FINLAY - Well, you're not being clear to the Committee now and from the Chair's question just then. Basically Tasmanians have been led to believe for years that there is new generation coming on for a couple of purposes. One is to create new job opportunities in Tasmania from our renewable energy, which is precious and premium, and also then to participate in the Marinus project. But now we're hearing that, after your assessment, there are these new projects. We are aware of Firmus. There are other businesses being discussed. My question to you is: how many other approaches do you have from other entities of scales at this level or lower around data and AI [artificial intelligence], and what current work are you doing around an AI energy use strategy to inform your decisions, to know that they're in the community's best interests?

Mr DUIGAN - I would say from the Energy portfolio perspective I don't believe I have seen anything further. So, no new data requests coming to the Energy portfolio. That may not necessarily be the case across government, so I won't make a sweeping statement there, but I haven't received any of those types of things.

CHAIR - What about other significant load? I think that was the crux of Janie's question, like hydrogen or other significant load?

Mr DUIGAN - Well, HIF would be circa 300 [megawatts], Bell Bay Powerfuels circa 300 [megawatts], so substantial load in those cases, again with the need to bring on new generation.

CHAIR - So, you're saying that they can't go ahead without bringing on new generation? That's what you're saying?

Mr DUIGAN - That's what I'm saying, yes.

Mr BAYLEY - How do you ensure that happens?

Mr DUIGAN - We have been very clear with all of those people, Firmus included, that they would need to bring on new generation to meet their new substantial load.

CHAIR - Well, they're not with the first lot, are they?

Mr DUIGAN - Well, yes, but that's a very short-term contract because the timing didn't necessarily align.

Mr BAYLEY - What's your knowledge of what is Firmus working on in terms of -

Ms FINLAY - Is that -

CHAIR - Just a minute, Janie. I will come back to you. You're cutting across each other.

Ms FINLAY - My question was does the Minister actually have any long-term thinking about this or is he reactive short-term actioning? Does he have a long-term AI energy usage strategy for Tasmania to understand the balance between these decisions on load and generation, and the use of our megawatts to return benefits to Tasmanians?

Mr DUIGAN - There are currently two streams of work underway, a national piece of work which is being auspiced through the Australian Energy Market Commission (AEMC). At the most recent energy ministers' meeting that I attended, we tasked the AEMC with that piece of work and that generally would, I think, look at the national electricity law to provide some guardrails around what's happening there? This is a –

CHAIR - So, there's no law at the moment that requires it at the moment then -

Ms FINLAY - I'm interested in Tasmania.

Mr DUIGAN - That would apply to Tasmania, and that may well be the most appropriate mechanism for applying law through the states -

CHAIR - But it doesn't exist yet?

Mr DUIGAN - It doesn't exist yet.

Ms FINLAY - No, so you've already made -

Mr DUIGAN - This is emerging work that's happening across all of the jurisdictions. The other thing that we're doing is the Tasmanian government is currently developing a Tasmanian statement of expectation for data centre and AI infrastructure, and this will set clear guidelines for any data centres looking to establish in Tasmania, building on, as I say, that national expectation while recognising the Tasmanian context. We'll have a draft released in coming months and look forward to sharing that soon. By way of -

Ms FINLAY - Minister, do you understand that the community is concerned that you've already made commitments through energy to Firmus for St Leonards before you've done this work? That's not the way you go around confirming and assuring Tasmanians that you're on top of this. Will you commit to Tasmanians that you won't enter into any power agreements for Long Reach or Wesley Vale before this work is completed and the community understands that you actually have a community benefit, a public benefit assessment for these things?

Mr DUIGAN - I think there has been quite a body of work done - and, you know, I'm absolutely happy to take the community along. I understand that there is plenty of discussion around AI and how it fits in and conversations about whether it's a good thing for the state. I will take the opportunity to perhaps to put on the record what that AEMC work is looking at amongst its expectations -

Ms FINLAY - Sorry, Minister, before you go down that path, the question is -

Mr DUIGAN - No, no, no, I'll do this.

Ms FINLAY - Before you go down that path, the question is-

Mr DUIGAN - Expectation of prioritising Australia's national interest, delivering positive outcomes -

Ms FINLAY - Before you go down that path -

CHAIR - Janie, just let him finish.

Ms FINLAY - Well, no -

Mr DUIGAN - Thank you.

CHAIR - I just want him to answer this in terms of what the commission has been asked to do because there's no law at the minute. Then I'll come back.

Ms FINLAY - Yes, but before he commits Tasmanian energy to Long Reach, he needs to complete this work. Will he make that commitment? That there will be no energy agreements entered into until the state does the work to understand what the benefit is to Tasmanians.

Mr DUIGAN - And I'm endeavouring to put on the record what are the underlying expectations around that- and you might be interested to hear them.

CHAIR - Can you continue there, Minister?

Mr DUIGAN - Yes, thank you. Expectation 1: prioritising Australia's national interest. I would remind again that this is the national piece of work being asked to be done by AEMC.

- Deliver positive outcomes while minimising adverse effects on local communities wherever possible;
- Build and maintain social licence;
- Protect sensitive and personal data;
- Prepare for threats and disruptions; and
- Limit physical and digital access to the data centres.

Expectation 2: supporting Australia's energy transition. New data centres and AI infrastructure should not place upward pressure on energy prices and should make a positive contribution to Australia's energy transition. They should:

- Secure new and additional clean energy generation and/or storage to offset demand;
- Cover their share of transmission and distribution infrastructure costs;
- Minimise their energy demand and emissions by adopting industry-leading efficiency measures and technologies; and
- Improve the overall security and stability of the energy grid, including by enhancing demand flexibility and opportunities for peak-load management and appropriate sharing of consumption data.

Expectation 3: sustainable and efficient water use. Data centres should use innovative, efficient, and sustainable solutions to minimise water use. They should:

- Cover their share of infrastructure and delivery costs;

- Build resilience into operations to mitigate the impacts of water disruptions, drought, and climate change;
- Provide ongoing transparency reporting about their water usage and efficiency.

CHAIR - How many are there, Minister? It might be worth tabling them.

Mr DUIGAN - There are five.

Expectation 4: investment in Australian skills and workforce. Data centre operators should support Australia's economic benefit by creating fair, safe, secure, and well-paid jobs for Australian workers. They should invest in apprenticeships and other structured training pathways to help a pipeline of skilled workers support the construction and operation of data centres.

Expectation 5: research, innovation, and local capability. They should contribute to building local technical and innovation capability and invest in Australian supply chains.

As I say, we have got some work to consider the Tasmanian context also.

CHAIR - So, you're doing some work then? Janie's question was: will you complete that work before you sign up anymore PPAs or approvals for data centres?

Mr DUIGAN - As I said, we're doing some work there and I don't have anything in front of me at the moment in terms of PPAs or anything like that.

CHAIR - Can I just ask whether the Whole-of-State Business Case or the FID - which is more your area - actually included a Tasmania electricity demand forecast?

Mr DUIGAN - As I say, there were I think three scenarios.

CHAIR - No, I'm being very specific. Did it include an electricity demand forecast and for how many years if it did?

Mr TERRY - I'll go first Vanessa. It did have some organic growth assumptions in it, but I can't recall the actual reference point for those organic growth.

CHAIR - Can you provide to the Committee then the electricity demand forecasts that were included?

Ms PINTO - Through you, Minister, Hydro would have included that assumption within their modelling. As I understand it, it included the forward projections on residential, small business and CNI load consumption as well as major industrial.

CHAIR - So, it didn't contemplate new big load, like data centres, hydrogen -

Mr DUIGAN - As I say, there were three scenarios; one with a with a high level of new load, one with a middle level of new load, and one with a sort of an organic-load growth.

Mr BAYLEY - What was the highest level of new load assumption?

Mr TERRY - I'll read the - basically, under our base case, we had organic load growth built in there and then 300 megawatts of additional energy-intensive load.

CHAIR - Over what period?

Mr TERRY - I think that was by 2035-36. On the VRE side, we were looking around the 300 megawatts from solar through the PPA arrangements that Hydro are entering into, and then a new build of 500 megawatts to get us up to our 800 megawatts. I'll just confirm that's all accurate. That was the base case.

CHAIR - Did the modelling include the impact of electrification, EV uptake, hydrogen as well? You've talked about some of the big -

Mr TERRY - I'd assume that's in the organic load growth, but I would have to go back and check that. My assumption would be that would be in the organic load growth.

Mr DUIGAN - That would be my memory of that.

CHAIR - Would it be possible for you to provide to the Committee what was included in the organic load growth? Because it's pretty clear from Hydro's figures that the generation has been falling the last few years. Part of that's because of behind-the-meter use. Can we write to you to request the base load?

Mr DUIGAN - This Committee has access to the Whole-of-State Business Case, which I'm sure provides some information around its modelling and the outcomes and what are the inputs.

Ms FINLAY - Wow.

CHAIR - Yes, on the public record, we want to know what the modelling was around load - demand, sorry - demand, not load. Well, load as well.

Mr BAYLEY - Remembering there's a lot of redactions about assumptions and modelling.

Mr DUIGAN - Not here. Not here, you've got it all.

Mr BAYLEY - Yes, but we can't talk about it, can we? Because it's redacted.

Ms FINLAY - You're the Minister at a Committee.

Mr BAYLEY - We can't even ask you questions about it because it's redacted. That's the problem here, isn't it? Why aren't you going to release an unredacted version of the Whole-of-State Business Case so we can ask you these questions so the public can actually see and interrogate it? Because at the moment, it's unredacted; you actually don't know what the house of cards is built on. A whole range of assumptions that no one can test, no one can -

CHAIR - Got a question?

Mr BAYLEY - Yes, I've got a question about the Firmus agreement. You mentioned that signing the agreement with Firmus - the Aurora power deal with Firmus - didn't align - I think it was with the financial investment decision that things didn't align. What did you mean by that?

Mr DUIGAN - What did I mean by what?

Mr BAYLEY - When you said - you said that 'the timing didn't align when signing the deal for Firmus'.

CHAIR - To bring on new load. That's what you're talking about.

Mr DUIGAN - Oh, okay, yes.

CHAIR - You're saying they had to bring on new load and Aurora signed a deal, a PPA, that they're buying from Hydro.

Mr DUIGAN - Yes, correct. Firmus, an existing customer of Aurora, and have been for some years. But, you know, the issue is that for Firmus to start bringing on St Leonards from later this year or next year -

Mr BAYLEY - Timing didn't allow.

Mr DUIGAN - Timing. So, essentially, it's load, it's entire project Southgate load would need to be considered as a block of 400 [megawatts] for new variable renewables to come online to back it.

Mr BAYLEY - What are they working on in terms of new renewable energy generation to underpin that and meet the commitment that you've just read out to us from those expectations that data centres bring on new generation capacity?

Mr DUIGAN - I would certainly point you to pretty much any renewable project in the state which would have had conversations with Firmus.

Mr BAYLEY - This doesn't stack up. On one hand Marinus is built on those new generation assets exporting their power through Marinus and delivering a benefit to the state, and on the other-

Mr DUIGAN - We are using it on-island.

Mr BAYLEY - This goes back to Matt Kean's conversation and problem and proposition that you can't actually have both. You can't have this new mega demand on our generation capacity, a new draw and export and get the same outcomes.

What's the expectation of Firmus? You say they have to bring on new generation capacity. What does that mean in your mind? Does that mean they just have to sign a power purchase agreement with a new generator?

Mr DUIGAN - It might be that. They might contract directly with a new wind farm or a solar farm; they might do that. They might have a discussion with Hydro, as Hydro could be the intermediary and provide them with a firmed product in the end. So, Hydro would do the contracting with the wind or solar producer and build in a firming price as well to give Firmus an, as I say, a firmed electricity contract. So, there are a number of ways of doing it, but the bottom line is they have to do it.

Mr BAYLEY - We're already at a situation where Firmus' new load of 444 megawatts a year is more than the 300-megawatt assumption of new load in your base case scenario.

Mr DUIGAN - That's not a bad thing.

CHAIR - Well it is if you are going to make money from selling it.

Mr BAYLEY - It is if you can't export it.

Mr DUIGAN - No, it's not. So long as you continue to build VRE -

CHAIR - But are we?

Mr BAYLEY - You're not in control of that, are you?

Mr DUIGAN - and we're talking about a pipeline of 5 gigawatts of VRE. So, you go out and tell the proponents which one's not going to get up. They're all happy about their projects and see a way forward.

CHAIR - Can I just ask then, how many gigawatt hours per year would 400 megawatts continuous load at Tasmanian demand?

Mr DUIGAN - Someone would need to do the maths.

CHAIR - When we get an answer to that, the next question that flows from that is how much exportable surplus energy or electricity does Tasmania currently have in gigawatt hours per year?

Mr DUIGAN - I think you'd need to look at also load shaping and all those other things but -

CHAIR - No, no, I'm talking about the headline figure.

Mr DUIGAN - No, that is important because you want to build that into anything you do like our major industrials.

CHAIR - It was a pretty simple question. Has someone done the maths?

Ms PINTO - Through you, Minister, I can give an estimate. It does depend on the operations load factor. What I mean by that is whether they're operating 24 x 7 at a fully drawn load. If they were operating 24x7 at a fully drawn load, it would be 3500 gigawatt hours, but that means they are operating fully drawing down on the full 400-odd megawatts, 24 hours a day, seven days a week, all day.

CHAIR - That's the highest.

Ms PINTO - That's the maximum amount.

CHAIR - Okay. Let's go to the question about how much exportable surplus does Tasmania currently have in gigawatt hours per year?

Mr DUIGAN - It depends how much it rains.

CHAIR - What's the last few years shown us? What's the projections for the next few years? Do we know?

Mr DUIGAN - We've got a lot at the moment, a lot.

Mr BAYLEY - We have imported the last couple of years.

CHAIR - We've been a net importer.

Mr DUIGAN - I know, but we've got a lot of water in storage, you know.

Ms PINTO - Through you, Minister, we're currently sitting at a supply/demand balance, which means that we have sufficient enough capacity on island to supply the demand on island.

CHAIR - But what about export? I'm talking about the surplus that's available for export. This is what the FID and the Whole-of-State Business Case relies on.

Mr DUIGAN - No, it doesn't.

CHAIR - Doesn't it rely on making money?

Mr DUIGAN - Yes, it does. Sending it out for export is to misunderstand it.

CHAIR - How is Hydro going to make its money?

Mr DUIGAN - By generating when prices are higher.

CHAIR - Where are they high?

Mr DUIGAN - Through various parts of the day.

CHAIR - Where are they high, not when.

Mr DUIGAN - In Tasmania. Hydro only ever gets the Tasmanian price.

CHAIR - Yes, we know that. Hydro gets the Tasmanian price when the price is high, which means that if the price stays high all the time, then we're all buying the highest price electricity though?

Mr DUIGAN - But if the price stays low then we're all buying low.

CHAIR - But we're not making money then.

Mr BAYLEY - Can't have it both ways.

Mr DUIGAN - Well, no. There is a shape to price in the day and across the seasons.

CHAIR - But if there's hardly any leftover for export, because -

Mr DUIGAN - No, no. You don't need to export. You just need to generate when the price is high.

Ms LOVELL - Explain it to - I don't understand this well. I think most Tasmanians would not understand this well. It is complex. You're saying it's not dependent on being able to export energy and sell energy to the mainland, that Hydro will make money by selling energy here in Tasmania when the prices are high; is that what you're saying?

Mr DUIGAN - Yes.

Ms LOVELL - So, they will be selling that to Tasmanian customers at higher prices, who will be paying the higher prices that will allow Hydro to make money?

Mr DUIGAN - No, Tasmanian customers, typically, unless they're very large customers, see a wholesale regulated price, one price that changes, but Hydro sees the spot price and that changes every five minutes, and it goes up and it goes down. When it goes up, Hydro can generate, and this is the great -

Ms LOVELL - Who's paying the high price?

Mr DUIGAN - Whoever's buying at the wholesale price: not you or I, but your retailer or somebody is. So, when it's up, Hydro generates, and the great value of hydro generation is that it can scale up and down quickly. When it goes below the price, Hydro shuts down, stores water and energy, cheap renewables typically come in, wind and solar, and that is the opportunity for Hydro.

Ms LOVELL - So, Aurora, as a retailer, would be one of the retailers paying a higher price?

Mr DUIGAN - Aurora buys - they don't buy spot market, do they?

Mr TERRY - No.

Ms LOVELL - So, who is buying the energy at the high price?

Mr TERRY - That would be on the mainland, essentially, when we export it. So, Aurora has a load-following hedge with Hydro, but they're regulated in any event. It's only really the C&I customers that would be exposed to any of that kind of more market-based prices.

CHAIR - C&I?

Mr TERRY - Sorry. Commercial and industrial customers, but most small customers are regulated customers, and that's -

Mr DUIGAN - And it's important to remember that the price goes low as well.

Ms LOVELL - Mr Terry just said there that that's - but Mr Terry just mentioned exports there, exporting to customers, but you've said it's not reliant on exporting.

Mr TERRY - Just through you, Minister, there's basically intra-day trading and exporting and importing. I wanted to add something to the Minister: there is seasonal, latent capacity in the Hydro system, to your point, Ms Forrest, that basically gets unlocked with more interconnection. When there's a lot of rain in the system and sometimes they're on-spill and because they have constraints they can't get that energy away, so, what Marinus will also do is unlock some of that seasonal latent capacity.

CHAIR - Which will be sold at low prices. If you have a surplus, the price goes down.

Mr TERRY - Yes, potentially, that's right, yes, but basically, to your point about capacity and what underpins the Marinus business case: there's the trading opportunity, there's some of that latent capacity in the Hydro system also, plus the new VRE that will be unlocked.

CHAIR - So we're heading in toward a big El Niño, apparently. That might change the water storage over time too.

Ms FINLAY - Minister, I want to go back to the questions around the work that you're doing in Tasmania, Tasmanian-specific work, before you commit any further power to AI projects. I want to understand, obviously Firmus is an existing customer of Aurora, so there's an existing agreement there, you've mentioned Hydro might play a role; you said that you don't have anything before you, but that's a bit like the tricky stuff that always gets said in parliament and other places. I'm asking you specifically: have you provided any direction to anybody not to enter into any further power agreements with Firmus or any other like organisation, before you complete the Tasmanian work that the community can clearly understand on what basis you are determining that there is public good in these agreements for your AI infrastructure work?

Mr DUIGAN - I have certainly had conversations with our energy businesses, and they are aware of the work that is going on. I don't think there's any world in which we wouldn't be aware of Firmus coming to Hydro or Aurora, whoever it might be, for a substantial contract. We want to do the work. We want to get it right like everybody else does.

Ms FINLAY - However, that's not the question. I'm going to ask the question really simply: in Estimates you indicated that you were just waiting on an agreement of terms for the next power deal with Firmus. You, in the Committee today, have said that you're doing some Tasmanian-specific work around AI infrastructure. Surely you could accept that that work needs to be completed before you can do your credible assessments of community benefit? Are you close to terms with Firmus, or anyone else in any of the energy businesses, or have you asked for that to be held until you've completed the work? You have already committed 104 megawatts.

CHAIR - Just get to the question, Janie. You said it was going to be a simple question. Let's make it a simple question.

Ms FINLAY - The question is: will you not enter any further energy agreements until you have completed this assessment work on AI infrastructure in Tasmania?

Mr DUIGAN - We will do the work to understand what that looks like, what it means for Hydro, what it means for our energy businesses before - as you would expect, there are multiple streams of work that are happening, in terms of economic diversification streams; investment strategies; AI data expectations; national electricity law; so, there are a whole lot of things happening, and -

Ms FINLAY - Yes or no: before you give further energy to Firmus, will you complete this work in Tasmania?

Mr DUIGAN - Well, we will certainly continue our work and -

Ms FINLAY - Yes or no, before you commit to an energy agreement -

CHAIR - Order.

Mr DUIGAN - What I won't say is there's an arbitrary full stop before anything can happen. I think we need to be really clear-eyed and understand what the implications might be for load of this scale.

CHAIR - Minister, would you issue a ministerial direction to Aurora and/or Hydro - obviously Aurora doesn't produce the electricity, they buy it from Hydro - but would you put a ministerial direction in place to either of those to say they cannot enter into a further power purchase agreement with Firmus, or another major load like that, until this work is complete?

Mr DUIGAN - I don't think that would be required.

Ms FINLAY - You've already given 104 megawatts to Firmus, when you're saying that they need new generation, and there is no new generation online for them.

Mr DUIGAN - Well, they have a three-year deal.

Mr BAYLEY - Picking up existing new generation isn't new generation. Signing a contract with Northern Midlands Solar isn't the AI factory, it's not Firmus creating its own new generation, that's just entering a power purchase agreement with an existing project, would you agree?

CHAIR - I will go to Marcus.

Mr DUIGAN - Well, there's no doubt that it's additional. They need additional generation.

Mr BAYLEY - But they're not creating that additional generation. Someone else has put it on the table and they're entering into a Power Purchase Agreement. Previously, we would have expected that that power would have been available for other businesses or for export.

Mr DUIGAN - Yes.

CHAIR - Or for decarbonisation of transport.

Mr BAYLEY - What I hear you saying - what is your understanding, then, of a data centre needing to bring on new generation?

Mr DUIGAN - Its own new generation.

Mr BAYLEY - Does that, in your mind, mean it doesn't buy it from a state-owned entity, it can only buy it from a new renewable energy generator that has existed -

Mr DUIGAN - No, it can buy it from state-owned energy, so long as the pool of new renewables is large enough to support it and Hydro's aspirations and the base case for Hydro.

Mr BAYLEY - That's not bringing on new renewables -

Mr DUIGAN - It is.

Mr BAYLEY - it's making sure that it can be supplied.

Mr DUIGAN - I think it is.

Mr BAYLEY - I think most people would assume that -

CHAIR - I'm going to go to Marcus, okay.

Mr VERMEY - Minister, we've heard from Matt Kean and Bruce Mountain, but then we hear from Saul Eslake talking up the project so much today, or it might have been yesterday, talking about the capability of selling to Victoria at a higher price, putting money back into services, consumers, cost of build, et cetera; what's your take on what Saul Eslake had to say?

Mr DUIGAN - Thank you, Mr Vermey. I reflect on the various economists and inputs coming into the conversation, and obviously Mr Eslake is well regarded. It's a good thing, in my view, that he has put his thoughts on the record -

Mr VERMEY - Not only for Tasmania, but Australia, is what he's saying.

Mr DUIGAN - Yes, indeed. He has a long history of taking an interest in the Tasmanian perspective, and his comments around Marinus sort of focus on four key benefits that he says it delivers, which is supporting Australia's transition to low-emissions future, unlocking new renewable projects - both generation and demand, improving our energy security - that's one thing I think that tends to get lost in all of this as we have this discussion - energy security for Tasmania, which is almost entirely weather dependent, is an important one, and delivering returns from our hydro asset - and that's very important. This is a point in time and an opportunity for us.

It's refreshing to see an independent expert explanation of the project's benefits. Information on these benefits is publicly available and indeed a lot of the information has been seen by this committee. Marinus supports the business case for new Variable Renewable Energy. Too often these benefits, as I say about energy security, dry years, they're taken for granted. Mr Eslake's report combined with the Integrated System Plan prepared by the Australian Energy Market Operator and the Whole-of-State Business Case prepared by the Department of Treasury and Finance, the Final Investment Decision Assessment Plan, the FID recommendations from Marinus Link [Pty Ltd] and from TasNetworks, all go together as a very substantial suite of documentation, opinion and advice to support why this is a good thing for Tasmania. Thank you.

CHAIR - A couple things I want to follow up on there, Minister. You talked about Hydro selling into the market when Tasmania's price is high. What particularly pushes the price up that will be high enough often enough to enable them to make the profit they've projected in the budget, et cetera? Then I have another question that flows from that.

Mr DUIGAN - Okay. Again, and you might want to wade in, Sean, but through the course of every day there is a shape to the national electricity price.

CHAIR - What pushes Tasmanian prices up? That's the question. We understand the shaping.

Mr DUIGAN - Tasmania typically has a flattish curve, but with greater interconnection Tasmania's price will follow the typical day shape of the National Electricity Market pricing: high prices in the morning and in the evening - Hydro able to generate at those times through the day. Through the middle of the day there are cheap renewables flowing in. Hydro doesn't need to generate there. Sean, further opportunities for Hydro.

Mr TERRY - It's basically just a supply-demand issue. Those very hot days in the middle of the Victorian and South Australian summers, that's demand. You have to turn generation on, that will push the prices up, and you will have to turn generation on to respond to those high price points so -

CHAIR - That when the most - all the renewables in the system, all the sun and the wind and everything. So you're saying in the middle of the day when it's hot and they need to turn their air conditioners on -

Mr TERRY - Once again, it will be driven by the supply-demand issues on the day. Air conditioners get turned on, a whole range of refrigeration will happen. It's essentially the demand on the system that's driving the need. It will drive the prices, and generation will respond to those prices. That's what essentially drives that kind of five-minute settlements and prices. There might be a specific issue, there might be a transmission line out that will drive a spike in a particular supply-demand imbalance. There's lots of things that can drive those supply-demand imbalances. But the minister's right, on a general kind of shape you get that kind of high demand moments in the morning when everyone gets to work, turns on the offices, et cetera, or later in the evening, and generally what we're seeing at the moment is those low prices in the middle of the day. That's the determinant of our prices: respond to those supply-demand balances.

CHAIR - Hydro will be making money at the beginning of the day and at the end of the day? They're going to sell into the market then.

Mr TERRY - Without being part of the trading team, I'd imagine that's their strategy.

CHAIR - I think either you, Minister, or you, Sean, said, in dry years - well we've seen dry years, we're likely to see very dry years coming if you believe the weather forecasters. I've had it said to me by someone involved in the MI [Major Inudustrials] space that they see a future where Marinus Link could be a net importer all the time. What does that mean for Hydro?

Mr DUIGAN - Well, if it's importing cheap power, good. If it's running the Tasmanian load through the day, through our relatively flat –

CHAIR - If we have a shortage, the Tasmanian price won't be as low as Victoria. It will be higher.

Mr DUIGAN - It's just not a bad thing. If we're bringing in lower cost energy into the state -

CHAIR - We're still paying the Tasmanian price even when we're bringing it in?

Mr DUIGAN - The two follow each other. If you look at Saul's report, there's a very instructive chart in there that just shows that Victoria and Tasmania energy prices are very highly correlated. So, when it's low, if we can bring it in, great.

Ms FINLAY - That also impacts our renewable energy reputation in terms of your statements around being 100 per cent renewable. That does all sorts of things to our reputation. Can I ask a quick question -

Mr DUIGAN - Except most of those very low cost imports through the course of the day are in fact renewables.

Ms FINLAY - Most. Can I go back to a statement that the Minister made at the tail of my last question, and I will review the broadcast and the *Hansard* to see if I have this correct. At the end of my questioning you said, 'Oh well, we've secured a three-year power deal'. My question, Minister, is it the priority of you as Minister and this government over our precious and premium renewable energy to simply get the most amount of electricity sales that you can or do you have a strategy to maximise the long-term benefits to Tasmania through jobs, through manufacturing and through industry and economic activity. Because a resigned statement after questioning saying, 'Oh well, we got a power deal', is so short sighted and not in Tasmania's best interests. Can you elaborate on that statement?

Mr DUIGAN - Yes. We absolutely have a view about how our resources should be allocated for the best interests of Tasmania, absolutely.

Ms FINLAY - And what's the matrix that you use to assess that?

Mr DUIGAN - As I would point to, there are a number of work streams that are occurring at the moment to help elucidate those aspirations.

Ms FINLAY - What's the current matrix that you use to make those assessments? What are the things that you consider are in Tasmania's best interest? Is it simply just a deal with a big price or is it jobs, manufacturing opportunities, economic activity on island in supply chains?

Mr DUIGAN - Those are all things that would feed into how you would go about allocating resources.

Ms FINLAY - But I'm asking you how you're making those assessments. How are you making those assessments?

Mr DUIGAN - It's not been an assessment that I have needed to make, but I am party to work that is occurring at the moment and I think it is a –

Ms FINLAY - But there was no assessment on that on the megawatts given to Firmus at St Leonards.

Mr DUIGAN - Not that I was party to but noting I was not here at that time.

Ms FINLAY - My question is to the government, through you, Minister, as a position, did the government not do any assessment around the long-term benefits to Tasmanians on that power deal at St Leonards?

Mr DUIGAN - Again, I won't weigh in on that given I wasn't here at the time.

Mr BAYLEY - Did you see a business case?

Ms FINLAY - You have a team of people with you -

Mr DUIGAN - A business case for?

Mr BAYLEY - Firmus for that allocation - Firmus' business case.

Mr DUIGAN - There was certainly a business case around the transmission upgrade that was required for the site, noting it was in advance of $10 million. As part of the new GBE reforms, TasNetworks provided a business case for the network connection.

Ms FINLAY - So, Firmus did the 100 per cent pay for the additional -

Mr BAYLEY - Did that have Firmus paying for it all?

Mr DUIGAN - That's my understanding.

Mr BAYLEY - All of it?

Mr DUIGAN - My understanding.

Mr BAYLEY - Can you take that on notice?

Mr TERRY - That would be my understanding. Generally, when there's any network augmentation, sometimes you can put some of that onto the customer base, but there has to be a benefit for the customer. The normal case is if there's any significant network augmentation, the customer pays for that augmentation. So, I'm assuming that would be the case for the Firmus connection.

Ms FINLAY - We don't want assumptions -

CHAIR - I'm going to go -

Mr BAYLEY - Can I just, please, though - that's not good enough, I'm sorry, your understanding, can you, Minister, take that on notice?

Mr DUIGAN - What am I taking on notice?

Mr BAYLEY - The cost contribution, the cost of connection of the Firmus St Leonards facility.

CHAIR - Is the upgrade required have to be paid for fully by Firmus. That's the question.

Mr HISCUTT - A different area and noting first session on this committee -

Mr DUIGAN - Welcome.

Mr HISCUTT - Sorry if this question has already been answered somewhere else, but obviously in the most recent budget, the decision to proceed with Lake Cethana has now been pushed out several years. I just wanted to know what impact that has on the Whole-of-State Business Case and what our energy - how that affects this energy market, if you could speak to that.

Mr DUIGAN - Thank you. Cethana - and I think it's probably fair to say, and I'm not sure if you were in the parliament when Project Marinus was originally envisaged as two cables, two 750-megawatt cables, with cable 1 being considered as it is here and cable 2 largely being in support of Cethana. So, in the absence, potentially, of cable 2 at this stage in the business case for cable 2, noting that has been pushed out a little bit, the Cethana piece is perhaps a little less present -

Mr HISCUTT - Can go on with stage 2.

Mr DUIGAN - though it should be said that it's something that I see as very, very prospective for Tasmania, and I will take the opportunity to tell others about it when I'm presented with that opportunity. I think, from the national and Victorian circumstance, it is still a very important project.

So, there's probably - it's something we felt that it was reasonable to focus on cable 1, noting that there is, given all the conversations that are happening today and around this issue, planning on our plate in that regard, but I think what is most notable is that cable 1 unlocks the benefits of Hydro's existing assets, and that was very clearly pointed to in the whole-of-state business case, that this is about the existing fleet, the benefit; cable 2 then probably requires further consideration of Tarraleah, but to a greater extent Cethana.

Mr HISCUTT - Thank you for the answer.

Mr BAYLEY - Minister, you talked about Marinus Link and TasNetworks and their final investment decision; they're obviously players within the market here, and I would argue they've got vested interests; you've also talked about AEMO and the Integrated System Plan

(ISP), and I know Marinus was described as an actionable priority within that ISP. Can you just talk us through AEMO just for the benefit of the Committee and benefit of evidence to the committee: who owns AEMO, and is it an independent regulator, or an independent body?

Mr DUIGAN - Okay. The Australian market energy operator - I'm going to lean on my officials at the table to give you an excellent description of that.

Mr BAYLEY - I guess, particularly, I want to know who owns it because -

Mr TERRY - First of all, it's funded by market participants. So, you will see market charges on your bill, which form - I think it's part of the network charge, but I'm not 100 per cent. So, market participants fund AEMO. Currently on the AEMO board, it's made up of industry and government representation.

Mr BAYLEY - Does that reflect its ownership?

Mr TERRY - I don't know. There's a whole AEMO governance review going on at the moment, I can't just recall how much is -

Ms PINTO - Through you, Minister, excuse me: my colleague has just advised it's 60 per cent government-owned currently, and 40 per cent industry.

Mr BAYLEY - Because I think this is exercising a lot of people's minds in terms of the veracity of the advice that you're getting in terms of the financial investment decisions and the need for Marinus Link; there's a lot of advice coming from entities that you would argue have a vested interest in building large, expensive interconnection and transmission infrastructure. What have you done to cross-check the advice you're getting from all of those different entities to make sure that it actually is in the public interest, as opposed to the vested interest of the energy entities or others, including AEMO?

Mr DUIGAN - I would point to a very large body of work that was done in the lead up to the Tasmanian Government taking a final investment decision for Project Marinus. I feel very comfortable, given the level of engagement and the number of people we had looking at this. Perhaps the document that I think sums it up best is the FID assessment report, noting the Whole-of-State Business Case is sort of a point-in-time document and looks at those various aspects; but the FID assessment document is, I think, a more holistic document that -

Mr BAYLEY - Written by ReCFIT, your Department?

Mr DUIGAN - Well, written by all sorts of people and taking input from everywhere. Treasury and Finance is an important stakeholder in all of this too, because ultimately it is about the dollars and the cents. The FID assessment documents – Ness [Vanessa Pinto], you might want to talk about it - but it sets out some very clear criteria against how you would make a decision like this and what things need to be met for the government to go forward with a great degree of confidence, and I think this got me there.

Mr BAYLEY - There's a new report out that questions the economic basis of Marinus and it points in substantial areas to electrochemical batteries, we've spoken about this before, that storage technology is going to be taken over by battery technology on the mainland and that it's already happening. The question that has been put: what evidence do you rely on to be able to counter that in the various reports that you rely on?

Mr DUIGAN - I think, and as I was saying to Mr Hiscutt, the business case for Marinus 1 is about Hydro's existing fleet, so it is built. It's not something nebulous. You don't have to go out there and build - and let's be clear: Hydro's existing fleet represents, and this is my favourite stat, 14 terawatt-hours of storage.

CHAIR - Only if it's all working.

Mr DUIGAN - That is almost a million of the biggest grid-scale batteries in the country, so it's a very valuable asset that is built, ready to use.

Mr BAYLEY - The cable isn't built, though, that's the problem.

Mr DUIGAN - The cable's not built - well, you've got to get it - well, there's one -

Mr BAYLEY - What's the contrary advice around the emergence of battery technology in terms of storage on the mainland?

Mr DUIGAN - Well -

Mr BAYLEY - What do you rely on there to say, actually, our idea is going to be better than the batteries on the mainland?

Mr DUIGAN - And I think the advice is that they're complementary, the batteries on the mainland are part of the equation but they have limitations as well, and what is absent, currently, is that deep storage, that long-term storage and that's what we have here in Tasmania and that is our opportunity.

Mr BAYLEY - But you don't have advice to the contrary that sort of has looked into battery technology on the mainland and its emerging and its exponential growth, it has to be said, at ever-lowering costs; you don't have a specific piece of advice that says, well, Marinus still stacks up, irrespective of that growth on the mainland?

Mr DUIGAN - I would struggle to put my hand - I'm sure I've seen things, but, Ness [Vanessa Pinto], you might have something.

Ms PINTO - Through you, Minister, just for the clarity for the Committee: the Australian Energy Market Operator is the forward planner for Australia's National Electricity Market (NEM). It has statutory obligations - statutory obligations - that enforces an independence to the way that it advises the jurisdictions, including the Australian Government, as to the requirements that are needed into the long-term for the National Electricity Market. That is the overseeing body that determines, that undertakes very comprehensive modelling. They are experts in their field, and they determine exactly what is needed over the long-term for a market that is going through significant supply-demand changes.

Now, the major supply changes we are seeing occurring across the NEM includes the exit of large-scale coal-fired power stations. That is going to have a significant impact on supply-demand balances across the NEM. In answer to the Committee's question with regards to the predominant party that is an expert, it is AEMO. AEMO is the resident expert in this regard. They undertake significant assessments, and there have been other significant assessments that have been undertaken by other parties that are expert in this area. Deloitte has done modelling as part of the whole-of-state business case. FTI Consulting has also done modelling. There is quite a lot of modelling. For the benefit of the Committee, consistently what that modelling is suggesting is that you require a combination of shorter-term forms of storage that can be provided with batteries. Certainly, the uptake of battery within Australia, particularly across the eastern seaboard has been beneficial to support that spreading of load during the day. What the experts, which are the national modellers for the Australian National Electricity Market suggest is that long term duration storage is important.

In their 2026 draft that they're working through at the moment, which I will look to my colleague as to when that comes out.

CHAIR - Three days' time.

Ms PINTO - There you go, thank you very much, Chair. It does state in there it reaffirms further again the importance of Marinus Link stage 1 and Marinus Link stage 2 to unlock what would be access to Tasmanian's, not just its Hydro capacity, but also the quality of its renewable resources here.

Mr BAYLEY - When Marinus was talked about as an actionable priority in the past Integrated System Plan and indeed maybe you can confirm in this one. What were the assumptions around the demand of data centres in Tasmania at that point? What was imported in relation to data centre demand.

Mr TERRY - Through you, Minister, I might explain the process AEMO goes through to determine their Integrated System Plan. They do publish a document, I think it's called - the Assumptions, Scenarios and Modelling, I can't remember the exact name of it. That is published, that's out there for public consumption and public debate. You do get the opportunity to provide input into those underlying assumptions.

Then they release their draft ISP. We have actually engaged with the AEMO quite a bit and from time to time, we've challenged some of the assumptions they've made and some of the conclusions they've drawn and it gets recalibrated every two years for the ISP. That's the kind of process it goes through to be developed, very public, lots of punctuation marks and checkpoints through the process.

To your question about what they've assumed about data centres. I just don't know that off the top of my head. They've factored things like offshore wind development in there in Victoria. They've factored in coal exit time. They've factored in transmission build out. There's quite a comprehensive process that goes into developing all those inputs to develop the ISP.

Mr BAYLEY - Minister, are you prepared to take that on notice as well? What are the assumptions in relation to data centre demands here in Tasmania that have gone into the ISP calculations and advice around Marinus?

Mr DUIGAN - They're publicly available.

Mr TERRY - It's a public document.

Mr DUIGAN - We would only be parroting what's in public documents.

Ms FINLAY - Minister, I just want to take you back to Firmus and I'm interested in the Long Reach project. Does the George Town network have capacity to deliver that level of energy to Long Reach?

Mr DUIGAN - George Town, Bell Bay?

Ms FINLAY - Does the current transmission network have capacity to deliver that level of energy to that project?

Mr DUIGAN - I would need to check, but I believe there is a substation or an augmentation that would be required for that level. I think there needs to be work done, but I'd need to check that. Can I take that one?

Ms FINLAY - I'd love you to take that on notice. It's just curious that the Firmus development was submitted to the council I think on 13 June. On 16 June TasNetworks came out with their project requirements, sort of the public - the consultation required to upgrade that system. You've said that the national best standard is that projects cover the full costs of any transmission needed. Will Firmus be required to pay for any upgrades that happen from this point to deliver this power to Long Reach?

Mr DUIGAN - Sorry, would Firmus be required to pay?

Ms FINLAY - Yes, to pay the transmission costs.

Mr DUIGAN - Certainly, that's my understanding, yes.

Ms FINLAY - Can I just ask a different question, but it's for the same outcome: whether it be the Powerfuels at Bell Bay or whether it be Firmus at Long Reach, there has been an ongoing project with much frustration around the Tamar Valley Irrigation Scheme to get that industrial water to Bell Bay. It seems that within days, TasNetworks have jumped to deliver something for Firmus, but it has taken years and there's no delivery in sight for water to Bell Bay. What's the difference in the priorities with these projects?

Mr DUIGAN - The TasNetworks work and announcement was around the augmentation for Bell Bay Powerfuels, as I understand it, which has been going, as you rightly say, for some period of time. I think there is a largely coincidental confluence of time frames.

Ms FINLAY - It says data centres in the announcement, days after the submission to George Town Council.

Mr DUIGAN - Okay. Anyway, that's the information that I have been given, and in terms of water for Bell Bay, yep, still working on that. It's proving a relatively challenging problem to get a solution to, but one we are, and I am, very much committed to and working with, I think, various stakeholders have been engaged with the George Town Council on that one a lot, and I think we talked to our federal friends as well; but we need to get the water there and I'm not shying away from that.

Ms FINLAY - It does seem curious that it only takes three days from a development application being submitted to Firmus for TasNetworks to come out, it talks about data centres with this network upgrade, that you can act so swiftly on this, but not on the water. My question, also at Long Reach, is: what commitments have you made to Firmus about backup contingent energy? I know there's a large number, hundreds, of diesel generators in that proposal for backup energy; is there a significant number - I can't find anywhere on public record the number of diesel generators for backup at St Leonards? What's the diesel storage at St Leonards?

Mr DUIGAN - I don't have any detail on diesel backup storage at St Leonards and my office hasn't made any commitments to anybody about backups, or whatever was contained in your question.

Ms FINLAY - Are you aware, though, of the significant number of diesel generators required at - or being proposed at Long Reach? It seems like our system is - and before it was commented that we're just in balance: these significant additional unexpected loads, without new generation, are putting our system under pressure. There is the reputation that we attempt to maintain around our renewable energy status, having projects pitch for renewable energy, but then be backed up initially with this three-year deal - there's not going to be any new renewable energy generation in three years for your power deal, so that's going to be shandied up with mainland power, and then the diesel backup generation; do you feel like there's a story here that is way out of alignment?

Mr DUIGAN - Well, the only thing I would say is that I think it's not unusual for data centres to provide on-site backup in some form or other, and that is likely to be the case with Firmus; as you say, it's contained within the DA for Bell Bay. I don't think that necessarily would go anywhere. I don't know that we can - if we're providing them with power, I don't know that we can have another backup circumstance, but, probably a question for Firmus, I guess.

Ms FINLAY - Well, the purpose of the question - you don't seem clear on much of this - is: how deeply have you, as Minister, and the government thought about the implications of these unexpected loads without new generation in Tasmania, and what it does for the local community, but more importantly, what it does to limit the economic potentials of new generated megawatts being used in other ways to create other economic benefits in Tasmania?

Mr DUIGAN - And I think I have spoken about and pointed to the various work streams that are ongoing and underway at the moment.

Ms FINLAY - You haven't given a date for a commitment for that to be concluded; what date do you expect that work to be completed?

Mr DUIGAN - I guess my concern would be saying that something is concluded. I think these are ongoing conversations and circumstances that we have to be somewhat more flexible around understanding what the new challenges that we are seeking to unpick and understand.

Ms FINLAY - So, Minister, you don't have an expected date for any work to be delivered to you?

Mr DUIGAN - As I say, the work is ongoing.

Ms FINLAY - Is there an answer to that question from somebody at the table?

CHAIR - No, they're not going to give any more than that, Janie. We will go to Vica.

Mr BAYLEY - A quick question just to follow up on that as well is in relation to the Bell Bay, Long Reach Firmus AI factory: has any kind of agreement been reached to supply power, whether it's a contract or an MOU or a term sheet or anything like that?

Mr DUIGAN - Not as I'm aware, no.

Mr BAYLEY - And is Wesley Vale the same?

Mr DUIGAN - Yes.

Mr BAYLEY - To confirm: Wesley Vale, the demands are 40, was it, I think you told us.

Mr DUIGAN - I think it was 52.

Mr BAYLEY - 52, sorry, I missed that, great, thank you. In relation to the next 100-day plan that the government has recently released, talks about these expectations on AI and data centres that you're intending to develop; do you expect to have input into that, as Energy Minister, and will there be consultation with the major industrials, business, the community, conservationists, et cetera in relation to that expectations document?

Mr DUIGAN - I think it's likely that we would put it out for consultation. Vanessa, that would be in line with our typical methodology?

Mr BAYLEY - Likely, or you make that commitment?

Mr DUIGAN - I'm not making any commitments here at the table today, but we'll do the work. I'm sure you will let us know if it doesn't meet your expectations.

Mr BAYLEY - Well, that's part of the problem, isn't it, Minister? We do let you know, but you go ahead and make the decisions anyway, or it has already been made.

CHAIR - The decision is already done, yes. Can I just go back to the FID Assessment Report which you referred to earlier, Minister? Can I ask, are the FID Assessment Report figures of $16 to $155 intended to represent total bill impacts, or networking component impacts only, and what is the implied total impact in dollars for each particular customer class?

Mr DUIGAN - My memory of that is that they are total bill impacts, but do not include the value of the grant that was secured from the Commonwealth Government, the $346 million, so I think they are blind to that, which brings down the costs, I think, for residential customers to around $2 per annum and, I think, for small business it's around $104.

CHAIR - How many?

Mr DUIGAN – [$]104, if memory serves.

CHAIR - That's for the total bill impact?

Mr DUIGAN - Total bill impact.

CHAIR - Right. Just in terms of the cost of building Marinus, I mean, I don't know about you personally, maybe you are the shareholder - are you the shareholder?

Mr DUIGAN - I'm a shareholder minister, yes.

CHAIR - So you should know the answer, then. Can you tell us what you currently estimate the P50 and P90 costs of stage 1 of Marinus Link and stage 1 of North West Transmission Developments?

Mr DUIGAN - I reckon I probably can. Let me see, I'll get my piece of paper. I think the latest - certainly, the latest numbers, the current P50 cost estimate for stage 1 is -

CHAIR - For what?

Mr DUIGAN - For stage 1 Marinus Link, in real 2023 dollars, is $3.9 billion, which includes provision for risk and contingency, and for the North West -

CHAIR - Do you have P90?

Mr DUIGAN - I will just see if I can give you the -

CHAIR - Do North West Transmission.

Mr DUIGAN - North West Transmission is [$]1.1 billion for a neat total cost of $5 billion. P90 numbers, hang on - those are the latest, as I'm aware, numbers in the public realm.

CHAIR - You don't have a P90 or P99?

Mr DUIGAN - I don't believe so. No, I don't think it's in the public realm.

CHAIR - Can you provide that to us in confidence, then?

Mr DUIGAN - I would need to take -

Ms PINTO - Through you, Minister, I would just need to check if we've actually already provided it to the Committee.

Mr DUIGAN - Yes. We will just see if we've provided that already. We may have already provided that in some various document or other.

CHAIR - There has been a fair bit of passage of time; has it not changed at all over the passage of time?

Mr TERRY - No. In terms of our governance arrangements, we have regular catch-ups with both Marinus Link and TasNetworks. Certainly, one of the things we're tracking is project costs. To date, we've received no advice of any kind of material changes from those AER-approved numbers. That's the current situation. Our expectation is if they do change, we will be advised through those -

CHAIR - What is the process of being advised of a cost escalation? Or expected cost escalation.

Mr DUIGAN - It would be, I imagine, through the delivery vehicles: Marinus Link Pty Ltd or TasNetworks. Just for your information, the Committee was provided with a P90 in the FID Assessment, so that is available to the Committee.

CHAIR - That still stands? There's been no upward revision of any of those figures, that's what you're saying?

Mr DUIGAN - That's what we're saying.

Mr TERRY - That's right. Our expectation would be if there's a material change, we will be informed, but to this point -

CHAIR - If there was a material change, would that be made public? That is a matter of public interest, surely.

Mr DUIGAN - Yes.

CHAIR - All right, so we can be assured then if there is an upward revision of either the P90 or P99 for Marinus Link, or - well, North West Transmission Developments, we will see it in TasNetworks arrangements, but we don't have much visibility of Marinus Link.

Mr DUIGAN - I think as part of the - one of the good things we did do in that last bit of negotiation, when we kept a seat at the board despite the dilution of Tasmania's equity position - and there is reporting that has been mandated as part of that, so there's an annual report which would include reference to those numbers that you would be seeking.

CHAIR - So, there will be an annual report out at the end of the financial year that will contain relevant information; is that what you're saying? I lost my train of thought there.

Mr BAYLEY - I've got one while you're thinking, if that's all right. Out of the recent report by Bruce Mountain from Victoria University, he flags the energy regulator has already approved or signalled that transmission charges in Tasmania will increase by approximately 140 per cent, Victoria by 90 per cent, and there will be a near-doubling of the regulated transmission asset base across both states. On that basis, he argues that Tasmanian power bills will absolutely rise, but you've been promising since day one that they will reduce. How can you guarantee that power bills won't increase with Marinus?

Mr DUIGAN - The numbers that you quote there are absent of any of the concessional arrangements that have been put in place. That's very, very disingenuous, if I may say, because -

Mr BAYLEY - He argues that they don't make a significant difference.

Mr DUIGAN - Well, he can argue what he likes, but the reality is that the North West Transmission Developments will be 84 per cent paid for using deeply concessional financing. The benefits of that concessionality will be passed on to customers: that's written in. That's very important. Also, as an adjunct to that, there's a $346 million grant that will go to TasNetworks' asset base that again hasn't been factored into that. That again brings down the cost to customers. This is a project that's being delivered by three governments using all the concessionality that they are able to do, to build something for Tasmania at a much, much lower cost to customers than otherwise would be the case, and that's an advantage.

Mr BAYLEY - I will put on the record again: concessionality that still is redacted, that isn't in the public realm, that we can't fully tell - again, why is that? If it's three public entities, you know, Tasmanian, Victorian and federal governments, using taxpayers' money, why is it that those concessional arrangements can't be made public?

Mr DUIGAN - Because I don't think the federal government, through the CEFC [Clean Energy Finance Corporation], which it's using to provide that concessionality, feels that it is necessarily in its interest, or that of deals it might seek to strike going forward, that that be released publicly.

Mr BAYLEY - Is that something you've put to them? Have you asked them for permission to release it publicly in this context, let's say for TasNetworks, an entity that you're wholly responsible for?

Mr DUIGAN - No, I don't believe I have.

Mr BAYLEY - Would you?

Mr DUIGAN - No.

Mr BAYLEY - Why is that?

Mr DUIGAN - Because I can see the point.

Mr BAYLEY - But you're hiding behind this confidentiality and commercial-in-confidence and figures that Tasmanians can't see, to argue against the evidence of - and the arguments, including of the AER, around transmission cost increases.

Mr DUIGAN - I don't think anyone's arguing that there won't be a transmission cost increase; there will be - but it will be offset by the reduction in wholesale energy cost.

Mr BAYLEY - Plenty don't believe it, but go ahead.

Mr DUIGAN - Sorry, I've just got some information here. DSG and the Office of the Crown Solicitor met with TasNetworks, Hydro Tasmania and MLPL [Marinus Link Pty Ltd] to consult - and Clean Energy Finance Corporation - on the proposed redactions to the FID Assessment documentation prior to public release, and they put a black pen through it. It's a very good deal for Tasmania, would be the only point that I would make.

CHAIR - Very good deal for the mainland.

Mr DUIGAN - A very good deal for Tasmania.

Mr BAYLEY - And one that we can't see, even though it's public money, and for a public company.

CHAIR - Minister, what's our percentage share now of the project?

Mr DUIGAN - Equity holding?

CHAIR - Yes, or holding, whatever you want to call it.

Mr DUIGAN - 14-ish.

Mr TERRY - I think it's around - I'm just looking.

Mr DUIGAN - There was an equity call recently which diluted our - 12.5 per cent. Of course, Tasmania -

CHAIR - So, what was the equity call that took us down to there?

Mr TERRY - I don't have it off the top of my -

Ms PINTO - Through you, Minister, we weren't a part of that equity call because the Tasmanian Government negotiated through the FID assessment and FID decision period during caretaker.

CHAIR - Yes, it's the value of the equity call, rather than the actual money.

Ms PINTO - Yes, so the other parties would have had an equity call, but I don't that information available.

Mr TERRY - Basically, of our original [$]103.5 [million], that gets attributed to our equity, and obviously that gets diluted as they put more money in. I don't know the exact value of that last equity call, but it was only the Victorians and the Commonwealth who would have made a cash contribution to that -

CHAIR - Yes, I understand that.

Mr TERRY - and then we get our prior equity recognised as part of it. So, we still get an equity call, but we get our prior equity recognised as part of that process.

Mr BAYLEY - Was it an unexpected equity call?

Mr DUIGAN - No. I don't believe so.

Mr TERRY - No.

Mr BAYLEY - What's the expectation in terms of the future equity calls and the future dilution of our equity stake in the project? Have you got a schedule that shows how it will drop over time?

Mr TERRY - Through you, Minister, the project has been funded up until equity to date. It will basically get to that point where we've exhausted all the equity from the three shareholders, that's when you will draw down on the CEFC debt - I can't remember the balance - 80:20. It will be funded by debt going forward once all those equity calls have been drawn on. Now, that's -

Mr BAYLEY - And when they're all drawn on, what will our equity stake in the project be? What will it dilute down to?

Mr DUIGAN - I think in -

Ms PINTO - My apologies, Minister. Through you, Minister, in the FID Assessment, I'm just checking on page 10, it does estimate that Tasmania's share will reduce from, at the time of the FID Assessment of 17.7 per cent, to approximately 9-11 per cent, depending on final project costs. You can find that in the FID Assessment on page 10, in the summary.

Mr DUIGAN - You may remember in the budget that didn't pass, I think my memory serves that there was $98 million budgeted for further equity for Marinus Link. Obviously, as we negotiated our equity position to reflect our reduced shareholding, that has been taken out.

Mr VERMEY - Minister, with that sort of 9-11 per cent, does that reduce or do we still have the retained veto rights over FID and major contract variations, irrespective of dilution?

Mr DUIGAN - That's a very good question, but yes, we do. That was one of the really good things I think that we were able to hang on to as our reserve rights in a number of matters. Tasmania continues to have a seat on the board of Marinus Link Pty Ltd, and we were able to hold on to a number of reserve rights. For example, probably chief amongst those is a go/no-go decision on Marinus stage 2, that would require a unanimous decision of the shareholders, of which Tasmania is a part of. Had we followed the advice of some others to exit Marinus entirely, then that's likely something we would have lost. I think that would have been somewhat problematic in the eyes of Tasmanians.

CHAIR - Minister, with the FID Assessment Report, were there any conditions subsequent that still remain open post FID, and what are they?

Mr DUIGAN - Good question, and I suspect Vanessa or Sean will be well placed to discuss those.

Ms PINTO - In relation to North West Transmission, which was one component of Project Marinus, that has now passed financial close, and all the primary requirements for conditions have been met. With Marinus Link, there are a number of conditions that are related predominantly to things like environmental approvals. A lot of that has now gone through process, acquisition of land for the purposes of the cable on the Victorian side, and there's some, I think, minor -

Mr TERRY - There is an offshore electricity infrastructure licence that's a part of this. There are various connections, agreements and technical issues that need to be sorted; there's probably about 10 or so. Security is another issue that needs working through, which we've got a pathway for.

CHAIR - Security of?

Mr TERRY - The CEFCs debt - so how they secure their debt. There are those kinds of issues that need to be -

CHAIR - That's not locked down?

Mr TERRY - We always knew that was going to be a condition subsequent (CS), so, we've got a pathway through on -

CHAIR - What's the due dates for the finalisation of these? I know some things depend on appeals, et cetera, but the things that you have control over?

Mr DUIGAN - Yes.

Mr TERRY - Once again, it's mainly Marinus [Link] Pty Ltd who is responsible for satisfying the CSs, and they're mainly, largely to satisfy the CEFC drawdown on the debt; I think they're trying to get all those sorted by the end of the year. They will have different kind of deadlines or milestones around each of those CSs.

CHAIR - They're not publicly available, the timelines around that?

Mr DUIGAN - Are they? No. I don't know. They're certainly -

Mr TERRY - No.

Ms PINTO - I don't think so, I will have to check. No.

Mr DUIGAN - No.

CHAIR - Does the Australian Government provide any written indemnity to Tasmania, then, for termination costs, if it just fails to get away?

Mr DUIGAN - No. I think there are termination costs that sit within each jurisdiction, would be my memory.

CHAIR - What sort of exposure does Tasmania have?

Mr TERRY - We're probably getting into some kind of confidential -

Mr DUIGAN - Yes, shareholder, yes -

Mr TERRY - commercial and shareholder issues that are subject to all the confidentiality requirements around the shareholders, and the syndicate facility.

Mr DUIGAN - Just to be conscious, we are not the only party to that document, so if -

CHAIR - I am interested in what the exposure is for Tasmania here, the financial exposure particularly. Is there a financial exposure if, for whatever reason, things can't be ticked off and progressed?

Mr DUIGAN - Look, again, I think I will -

Ms PINTO - Through you, Minister, the FID Assessment document does include the amount of potential wind-up costs in there. Some of that information is not in the public domain, but as I noted earlier - also, excuse me, the Minister noted earlier - the full document has been submitted to the Committee. There is a section in there that covers what those estimated wind-up costs would be.

CHAIR - I think it's of interest to people, if for some reason it can't go ahead or doesn't go ahead, then what is Tasmania's financial exposure? What is the risk to Tasmania?

Mr DUIGAN - I take your point.

CHAIR - No, it is a question. It's not a point.

Mr DUIGAN - Well, as I say, I don't think it's in the public realm, so it's not something I will be talking -

CHAIR - Maybe we could write to you to get clarity on what Tasmania's financial exposure is.

Mr DUIGAN - Again, if I'm able to provide it, you know, again with the comfort -

CHAIR - We will put it on notice to you.

Ms FINLAY - Minister, just taking you back to Firmus, you've been able to advance at a rate of speed around the projects at St Leonards, at Long Reach, but there are other energy users in Tasmania seeking your attention; the agreement for Boyer for the 45 megawatts for decarbonisation there and for Bell Bay Aluminium for their 10-year power contract. I am just wondering how close to a completed deal you are for both of those energy users?

Mr DUIGAN - Hydro and Boyer are talking, have been talking. As I think I have often said, there's no problem with providing Boyer with the energy that it requires; there is a challenge around getting it at a price that they say they can make it work for. Those conversations are continuing at a more of a whole-of-government space, and in regard to Bell Bay Aluminium, I and others have had meetings with various management of Rio [Tinto] and Bell Bay Aluminium, and we are working through the issues there. I think it's probably fair to say that again, striking a commercial deal will be a bit of a challenge. I think there will be a gap between what Rio says it can pay and what Hydro says that it would need. So, I think then there is the expectation that the state and Commonwealth governments may need to look at how we go about bridging that gap in some way, shape or form.

Ms FINLAY - Are you confident that a deal will be done within this 12-month extension period that you were granted?

Mr DUIGAN - Yes, I am. I think we understand -

Ms FINLAY - You are confident? Can I ask a question around the subsea cable as part of the Firmus package of projects: were there any deals done with the Tasmanian government around access to energy to secure - that gave comfort to Firmus to financially secure that table?

Mr DUIGAN - Not that I'm party to. No, not that I'm aware of.

Mr BAYLEY - The Chair was asking about risk and exposure earlier -

Mr DUIGAN - Can I make a clarification for the record: the diluted equity share is 12.7 per cent, not 12.5.

Mr BAYLEY - As at now?

Mr DUIGAN - As at now.

Mr BAYLEY - I was going to ask about exposure and risk and follow on from the questions of the Chair. The budget identifies the risks around Marinus, we talk about our exposure, and there's clearly a risk there. I think it has been acknowledged that the data centre demand wasn't explicitly considered in the modelling for the Marinus business case and finances and the like; the question is: what work has been done since then to consider update - factor in data centre energy load going forward and impact on Marinus finances?

Mr DUIGAN - Update to the Whole-of-State Business Case?

Mr BAYLEY - That's right.

Mr DUIGAN - No. The Whole-of-State Business Case is a standalone piece. It's a snapshot in time.

Mr BAYLEY - Have you requested an update, given we now have knowledge of the 440-odd megawatt load for data centres; have you requested an update?

Mr DUIGAN - Certainly, we have been talking with Hydro about it, and its understanding about what the impacts may have in the short and long term.

Mr BAYLEY - Have you been provided advice?

Mr DUIGAN - Not at this stage, no.

Mr BAYLEY - Have you spoken to, or had any correspondence or communication with, your Victorian or mainland shareholder partners in relation to the knowledge of this new load in Tasmania?

Mr DUIGAN - Certainly, we have had a meeting where I don't think data centres or AI centres necessarily were part of that but it's at an elevated level among energy ministers across the country. Tasmania is not by any means the only jurisdiction where this is a -

Mr BAYLEY - I'm asking specifically in the context of Marinus Link?

Mr DUIGAN - No, but I think Marinus Link is potentially considered a hydrogen fuel load, which, you know, if you're being largely for the purposes of planning, then load is load. You can be somewhat agnostic about what the load is.

Mr BAYLEY - Have you given up on that as a load?

Mr DUIGAN - No, no.

Mr BAYLEY - What happens if they all come off?

Mr DUIGAN - Well, we need to build more VRE, you know, new load brings new generation.

Mr BAYLEY - So there's been no communication from Victorian or federal governments about the risks associated with this new kind of mega-demand here in Tasmania?

Mr DUIGAN - At a ministerial level, I would say no, but certainly maybe through the Department.

Mr TERRY - No, neither at the officials level. We have a Project Marinus steering committee that meets every six weeks, and this issue hasn't been raised to date. Our biggest focus is on making sure we get this to practical completion, these projects - sorry, not practical completion: basically the start of construction.

Mr BAYLEY - Minister, Firmus is obviously not the only data centre proponent in town. Do you have in mind - have you set or are there conversations going on in Tasmania about what would be the maximum energy demand you think appropriate for this sector?

Mr DUIGAN - Certainly, in conversations with Hydro Tasmania, that's an obvious question that you'd want to know where the sweet spot sits in terms of how much VRE we've got, what's the timeline look like, how it all fits together, and that we don't undermine any of the opportunities that are before us.

Mr BAYLEY - What is the advice there? What's the advice in terms of the -

Mr DUIGAN - Again, I would say, at my level, I don't know that I've had advice necessarily that puts a number on it, but certainly conversations are happening between the department and our energy businesses.

Mr TERRY - Yes, we are having those constant discussions to understand what new load or new VRE or any kind of change to our supply-demand would look like. They are ongoing conversations, trying to understand how much - there will be a natural constraint at some point in time, but then you deal with that through bringing on more storage or more interconnections. They are issues we're trying to understand at the moment. We believe we can facilitate new load, new VRE, take advantage of the Marinus Link opportunity, but there will be a natural constraint at some point in time. We're trying to work through to understand that.

Mr BAYLEY - What's required to be able to understand that?

Mr TERRY - Certainly around those projects at this moment, it's just modelling. So, it's basically based on your kind of assumptions around these changes to your supply-demand. Ultimately, it will be more certainty around some of these projects. At this stage, it's just kind of modelling based on assumptions and our view around certainty.

Mr BAYLEY - And certainty is something that the government can give when it comes to policy, and so I guess I go back to the original question here: have you turned your mind to what is the maximum load that you think would be appropriate from data centres in Tasmania?

Mr DUIGAN - I don't know that it's a matter of what I think, but we need to work through with the Department and the energy businesses who have a much more sophisticated understanding of our energy landscape than I do.

Mr BAYLEY - Is that something you expect to come to, a conclusion in that space? Is that something that would be published as part of your expectations, as announced in the 100-day plan, the maximum envisaged demand from that data centre AI sector.

Mr DUIGAN - I don't know that that piece of work would necessarily include a hard stop number. I think we would seek to put some frameworks around it.

I should just say I have some further information. I can confirm that the commitment is to release a draft Tasmanian statement of expectation for data centres and AI infrastructure for consultation and that will, of course, occur within the next 100 days, and can confirm that for St Leonards Firmus paying associated transmission connection/upgrades and that Firmus is responsible to pay the cost of new connection assets and associated services to facilitate connections to the transmission networks like all load and generator proposed connection, so in view of the Bell Bay connection.

CHAIR - Can I just get back to the questions of concessional finance, Minister? I understand that everyone says 'deeply concessional finance', which one assumes is not a very high number. That said, regardless of what it is, you still have the principal which has been borrowed to deliver that. The principal still has to be repaid. Explain to me how that makes such a big difference, allegedly, on the prices that are passed through?

Mr DUIGAN - Because it doesn't accrue interest repayments at the same rate it would if it was at a commercial rate. When it's deeply concessional, the number you pay back is much smaller than it ordinarily would be.

CHAIR - So, we have what would have been a larger number, obviously -

Mr DUIGAN - Yep.

CHAIR - but the principal still has to be repaid regardless of what the larger or smaller number is on that same amount.

Mr DUIGAN - Yeah, but that's quite material over time. When you're starting with a large number anyway and you're applying substantial savings in this case, that adds up to a lot.

CHAIR - So you're confident that the significant reduction in the power prices in networking at least, will hold up?

Mr DUIGAN - Well, that's certainly, again, by people who are more clever than me, and have put together.

Mr TERRY - All this goes through the AER in terms of the network requirements. They do a building block approach to develop what's called our maximum allowable revenue (MAR). They formed a view of what the asset base is, that's the 3.9, and then on top of that you get OPEC depreciation return on equity, return on your debt costs, and that is basically is how much that entity is allowed to recover in that particular year. Normally, that return on investment and return on equity is set at market kind of benchmarks. We're getting both deeply concessional debt and concessional return on equity, which lowers that overall MAR or the amount that that business can recover and then ultimately recover from customers.

I should also mention that the Commonwealth, Tasmania, Victoria put forward a rule change through the AMEC where the AER is obligated to pass on any kind of concessional finance and debt. They have no discretion. They must pass on that concessional financing determining the maximum allowable revenue that that entity can recover and then ultimately recover from customers. The other factor is the kind of debt equity mix as well is quite favourable, so you have a cheaper cost of debt versus equity, so it's not just the concessional finance, it's the mix between debt and equity which lowers that overall cost of the maximum allowable revenue and that's to the Minister’s point, that's quite material when you kind of referencing that to what you normally recover through the regulatory processes.

CHAIR - I want to come back to the workforce issues in the north-west.

Mr VERMEY - Minister, we've heard of plenty of challenges that are perceived to sort of be there with AI data centres. The positives that actually sort of come out of it - what are some of those that sort of come into the community, et cetera?

Mr DUIGAN - I think one of the easiest things to understand is if you build something like that, it is a very large and substantial construction task. It's many hundreds of millions of dollars in terms of the construction job and that has great flow on benefits into the community and building skills and long-term jobs. Data centres are not void of employment opportunities. For example, the Bell Bay data centre I think is talking about 100 ongoing jobs. I'm not a subject matter expert on that, but we're talking about a very large facility with a lot of ancillary systems, so there are jobs required to keep that data centre going.

The other thing I think that we tend to overlook is what are the ancillary industries and the allied industries that potentially flow from having a large data centre footprint here in Tasmania. There would be and will be, and we've seen elsewhere, other opportunities that tend to flow from having that critical mass of high-tech compute here in Tasmania.

Ms FINLAY - Like, as an example? That's a question. What's your example? That was a very nothing statement. There are other opportunities. What are the other opportunities?

Mr DUIGAN - I don't know that if you build anything of that size and scale without supply chain impacts in the community.

Ms FINLAY - What are the examples of the supply chain impacts?

Mr DUIGAN - I will leave that up to your imagination.

Ms FINLAY - Minister, this is a committee where you are answering a Dorothy Dixer by saying 'there are opportunities'. Could you please outline what the opportunities are?

Mr DUIGAN - As I say, I don't think anyone builds a $2 billion building and an industry with 100 jobs ongoing that doesn't have substantial supply chain impacts in its local area.

Ms FINLAY - You would expect as Minister you'd be fully across that. I'm asking you to detail it for the Committee.

Mr DUIGAN - Well, that is my answer.

Ms FINLAY - What are the jobs? What are the job titles?

CHAIR - Can we just go to the issues? The north-west coast is going to be the most hard hit by - Marinus Link, one thing. After some interesting conversations, they're now looking at taking over all the accommodation in town in Burnie to put their workforce, which does absolutely destroy the tourism opportunities for that region. If you add on all the other renewable energy projects that are required to make this stack up, that's a huge workforce. It's a huge impact on our transport sector, our access on and off the island through our local airports, housing accommodation. Then we've got the mines down the west coast that are about to ramp up too. Minister, what are you doing to look at the real issues that affect the local community up there particularly?

Mr DUIGAN - I would reflect on quickly and I'll take the balance of your question. One of the things we did on Friday was head up to Burnie for the launch of the TasNetwork's Bright Future Fund, which is a $10 million community benefit fund, which is being supported by an independent community assessment panel. This is substantial investment in that community, which bears - and not just Burnie, but through the LGAs where the North West TD will traverse.

CHAIR - I'm talking about - let's focus on Marinus.

Mr DUIGAN - This is one example of that.

CHAIR - They're not going to build houses, are they?

Mr DUIGAN - No, but they're going to do other things.

CHAIR - What are they going to do?

Mr DUIGAN - The community will dictate what they do with that $10 million from TasNetworks, particularly. In terms of the other impacts, this is something that's being considered at a wider, whole of government level - and Ness [Vanessa Pinto], probably as you sit on - the name of the body escapes me - but this is work that you have direct input into, in terms of the wider implications around housing and transport and those sorts of impacts.

Ms PINTO - Through you, Minister, the governance structure for Project Marinus is widely available online at the ReCFIT website and outlines a structure across government to ensure that there's engagement across government. So, matters that are very specific in the energy policy space overseeing through the energy task force which goes up through the Energy Executive Steering Committee and reports up to government, and that has representation across the Department of Treasury and Finance, State Growth, Natural Resources and Environment Tasmania, and the Department of Premier and Cabinet. More broadly though, as a part of that governance structure, there's engagement through the State Growth executive across a number of areas: Housing is obviously one of them, transport, and the impact on infrastructure. So, that's more broadly considered -

CHAIR - Where's the plan? We know there's work being done. What's the plan? Where's the plan? Is there a plan?

Mr DUIGAN - I won't speak for your plans, Ness, but take, for example, the East Devonport caravan park where I think TasNetworks is housing a few of its people through the course of the NWTD build out. Then there's a substantial plan there for augmenting that site.

CHAIR - All you are doing is moving the problem there. That's a tourism - yes?

Mr DUIGAN - Well, yes, but it typically does house a lot of workers. There has been a high level of use for that site.

CHAIR - Let's talk about the hotels in and around Burnie. Is there a plan to deliver more houses?

Mr DUIGAN - Well, certainly the government has a plan to deliver more houses.

CHAIR - But how are we responding to this particular challenge? It seems like it's all too hard to talk about. I talked to people out there who are deeply invested in this community, who see these problems and are not being heard by the government.

Mr BAYLEY – And who is paying for it?

Mr DUIGAN - Again, I would ask Vanessa. I'm not beyond having the settings in place to make sure that we are considering and seeking to address -

CHAIR - You need to do it before the pressure is there. You can't build a house overnight. Funny that.

Mr DUIGAN - That's fine. You equally don't build a house before you have financial close for a project.

CHAIR - So, we're going to wait until everything is there and then all the people who are struggling will be pushed out of their homes?

Mr DUIGAN - If we'd run out and build a lot of houses and then we didn't reach financial close, I'm sure there would be concerns about that as well.

Mr BAYLEY - We have plenty of people to put in them, Minister.

CHAIR - That's right.

Ms FINLAY - That's right, and the Chair asked for a plan -

CHAIR - Just wait, Vanessa was about to answer.

Ms PINTO - Through you, Minister, both Marinus Link and TasNetworks have workforce accommodation strategies. They're readily available and they look at -

CHAIR - They look at using the hotels.

Ms PINTO - They look at the impacts and I'm advised that the numbers during peak construction of impacts are quite low, but some of their requirements as a part of their planning permits are to ensure that they have looked at the impacts into the local regional areas, and just to -

CHAIR - What they told me was that the impact was only over the slow season. I'm just concerned the government haven't got proper vision on this.

Ms PINTO - As an example, TasNetworks have to get their workforce strategy approved by the Tas Planning Commission. For the benefit of the committee, they're already regulatory roles that are undertaken across government that ensure that developments, not just like a development of this nature but other developments -

CHAIR - What about Marinus Link? It's more the concern.

Ms PINTO - meet the expectations and that any impacts in a regional area are considered and are part of that planning permit. That's a key role that the Tasmania Planning Commission requires of developers of this nature. They are already undertaking what are already pre-existing regulatory requirements. At a more broader level, the State Planning Office looks more broadly in regional areas to what some of the supply and demand implications would be and that's the appropriate area to be considering those impacts across multiple developments and multiple changes that are occurring in the population profile for an area.

CHAIR - We've run out of time, Minister. There is a lot more to be asked. We'll write to you with the questions you've taken on notice.

Mr DUIGAN - And what are they? What have we got?

CHAIR - I haven't written them all down. But we did agree along the way. I was careful to agree along the way. You can check the *Hansard* if you're not happy. Thank you for your time today.

Mr DUIGAN - Thank you.

The witnesses withdrew.

The Committee adjourned at 4.04 p.m.