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THE JOINT SELECT COMMITTEE ON ENERGY MATTERS MET IN COMMITTEE ROOM 1, PARLIAMENT HOUSE, HOBART, ON TUESDAY, 29 APRIL 2025

The Committee met at 9.15 a.m.

CHAIR - Welcome back and welcome Rachel, the new CEO, to the Energy Matters Committee public hearing. We're hoping these are a series of last hearings to try and wrap up the inquiry and report. It is obviously a continuing fast-moving feast in many respects. We appreciate your appearance here again today before the Committee.

Everything that you say is covered by parliamentary privilege while you're before the Committee. That may not extend beyond the Committee hearing, just keeping that in mind. It is a public hearing. It is being streamed and will be transcribed for our records as well. If there was information of a confidential nature you wish to share with the Committee or you prefer to share in confidence, you can make that request to the Committee and the Committee would consider that. Otherwise it's all public. Do you have any questions before we start?

Mr RICHARD BOLT, CHAIR, **Ms RACHEL WATSON**, CHIEF EXECUTIVE OFFICER, AND **Ms ERIN van MAANEN**, EXECUTIVE GENERAL MANAGER STRATEGY, HYDRO TASMANIA, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

Mr BOLT - Thank you very much, Chair, and thank you to the Committee. It's good to meet the new members in this setting. I formally welcome Rachel to her first appearance before a parliamentary committee in her new role. I did want to spend a minute acknowledging Erin van Maanen's excellent contribution as interim CEO since October last year. She's not had an easy time of it and she's done a great job in that challenging period of the last six months. Thank you to Erin. She will be doing more of the speaking as CEO than Rachel will be in this particular forum, simply because she has that history of the last six months. Much of the focus of her time here in front of you will be about that.

I do have some comments. I don't want to stretch the patience of the Committee by talking too long. If there's too much detail - and there's not that much - please -

CHAIR - Start and we'll see how we go.

Mr BOLT - Yes, don't hesitate to ask me to wrap it up.

A quick update on the financial year so far, if I could. I know this is more about the long term. Our business is intrinsically a fluctuating one, particularly on the revenue side of the business, because of yields and market prices. Last year, as you may recall, we recorded profits well above targets. This year we won't. We expect the profits to be well below targets because of low inflows and difficult trading conditions, particularly at the beginning of the financial year. When I say year, I mean financial year.

I wanted to quickly touch on the work we've done to support Tasmanian capacity growth, which arises out of the debate about energy sufficiency in the state. That resulted in our charter obligations being changed, as you probably recall. We did release an expression of interest to attract some new renewable capacity to the point where it was bankable. We have struck an

offtake agreement pursuant to that with TasRex, the solar farm near Cressy, which is a 288 megawatt solar farm, quite a decent size, capable of powering 70,000 homes. That was the first cab off the rank, if I can put it that way.

We're now developing a market engagement approach to give that some formality and some predictability about what we're proposing to do. It will be useful, it's intended to be useful to the community at large, but also particularly to intending generators and large users to explore contracting with us pursuant to the charter. We will consult with industry stakeholders. That will start shortly. It'll become a public document once finalised. That's the capacity growth story.

There has been some press coverage about this today, we're supporting existing Tasmanian major industries. That's been quite an active part of the last few months. We've done a 10-year deal to extend Liberty Bell Bay's contract which expired at the end of the last calendar year. We have worked closely with Nyrstar, who have encountered some difficult trading conditions. I think it's reasonable to say we've been collaborative and innovative and they have engaged well with us to assist them to manage that difficulty. We are currently negotiating with Rio Tinto over Bell Bay Aluminium. We have dual objectives here, which are to ensure the state retains the benefit of employment and industry while at the same time ensuring we do a deal which is sufficiently commercial to provide value to the Tasmanian public and taxpayer. That's that.

I've got only a couple more items. One is the Tarraleah redevelopment. I wanted to focus a little on that because we're continuing to develop both major projects, Tarraleah and Cethana, but the Tarraleah redevelopment is at a more advanced stage. We've hit the major milestone of a Gate 2 business case, which is getting ready to go to market to see what prices are out there, subject to approvals that I'll come to. That is now with government. That business case will make key information from it public in due course. We have previously made the point that prices that we have previously released or costs that we've previously released are likely to rise. That will be the case, but we're not at liberty at this stage to disclose that. In the fullness of time, that will happen.

Redevelopment, which is this pressurised conveyance - we can talk more about the technicalities - is still the preferred option. It doubles the capacity of the station. It provides much more value from the same water because it makes it dispatchable. Being so, we can better firm wind and solar, which is the direction the whole business is heading in. We will offer the Committee, subject to your own timetable and existence, a detailed briefing on that at the right time, but it may well be that if you report, that won't be possible.

CHAIR - That's pretty critical information to the Committee.

Mr BOLT - Yes.

CHAIR - That piece of work.

Mr BOLT - Yes, that's right. I understand that. We've got a lot to do to get it to final investment decision, which is scheduled for later next year, the last quarter of next year. This year, we're seeking development, government and parliamentary approvals. That's just to proceed to the next stage. It doesn't then commit to the project, anyone to the project. It just

gets us to the point where a competitive tender can be released and we can start to get market pricing.

We will, in the meantime, be examining extended operation of the current scheme with all of its risks and its obsolescence. We still will be looking at that because it's a long - even if, as we would expect and hope, the redevelopment proceeds, the current scheme has to operate for quite some time. It does contain risks, and we will have to look at how to manage those risks in the interim period while construction is happening, or in the worst possible case if you have to defer that construction.

Finally, if I can acknowledge our staff. They have had a pretty busy period, as I indicated, under Erin's leadership. They've been working hard on the business as usual part of what we do, which is ramping up in its intensity and the new projects, and at the same time, been dealing with the Lake Rosebery oil spill and the west coast fires. I think it's fair to say they've had to work very collaboratively and intensely with other agencies and our communities, particularly in protection of the environments. I just acknowledge that before the Committee now. That is all. Thank you, Chair.

CHAIR - I might just lead off a bit. You talked initially about the lower infalls and the impact on your profitability, which is not a surprise in some respects. What I'm interested in is how you, in the future particularly, plan to manage extended periods of dry and changing rainfall patterns, particularly with the current storage policies. Is that something that could be up for review? The key question is what new strategies are being developed to bolster resilience around future weather scenarios and the whole climate change piece and the reality that we're facing with decarbonisation?

Mr BOLT - A fine and strategic question and obviously preoccupies us. I might say a couple of things, but I might ask Erin to elaborate. There's a range of solutions that are interdependent here that will help us do all of that. They basically go to growing the passive estate to produce wind and solar output, which is decoupled from rainfall. We then can use our water more strategically and more efficiently to produce a more resilient energy supply.

Interconnection is vital to the ability of a state to do that. That assumes that what you get is good development of complementary renewables on both sides of the Bass Strait. That, I think, is the essence of what we're talking about. There are a few other elements of that. We've done some quite innovative things on managing demand with our major industrial customers, which in the short term can assist. When it comes to long-term security supply, what I've just said, the VRE, the interconnection, the resort or the focus on firming, is our main way of doing that. Erin might want to elaborate.

Ms van MAANEN - I'm happy to. I think what you've outlined there is a range of the kind of strategic actions we're taking to ensure we have sufficient reliable sources of supply in the future that can respond to both the changing, growing demand as that occurs, if that occurs, as well as changes in the nature of demand from consumer behaviour and the like.

I thought I might touch on a little bit - from a planning perspective, one of the things that we're doing is ensuring we understand as much as possible about what we can expect in terms of future rainfall as well. We have, over the last several years, significantly invested in ensuring we have good, fit-for-purpose tools around forecasting of that inflow, and then also modelling how our portfolio can respond to that. We've worked closely with CSIRO in terms of that

project, and developed a newer and more sophisticated approach to long-term inflow prediction. What we're seeing out of that and also recent rainfall experiences is more volatility. We need to be prepared for that. We don't see a significant long-term decline in average inflows. We still see - it's a very minimal, less than 1 per cent decline that we see there, but it is about that volatility.

In terms of the actions that we're taking, and without repeating too much what Richard has said, we do have the benefit of having a highly flexible portfolio in terms of our hydropower system at the moment because we're in this balanced scenario where supply roughly equals demand in an inflow year, and most of our generation is hydro. We don't use its full flexibility. Being able to bring in wind and solar projects, like the TasRex project developed, and bringing in private sector investment, we can complement that and change the nature of the role of hydro to be used much more for its flexibility to respond to those different conditions. While there might be periods with lower rainfall, it's really about using it at the most high value and critically needed time. Having more wind and solar, having more interconnection and changing the nature of how hydro is used will be important to meeting that future demand need.

Mr BOLT - Could I add one point that's really quite vital? That is that even though the Tamar Valley Power Station is something that when it comes energy security we use as a last resort, necessarily. It's nonetheless a crucial backup in a highly variable renewable system of wind and solar and rainfall. It did play a quite crucial role in the early part of dealing with some of the drought conditions. That's, in a sense, the final fallback in securing energy supplies to make sure there's enough weather independent backup that you use as sparingly as you can, while resorting as far as you can to your renewable resources.

CHAIR - On that, you talked in your opening comments, Richard, about the contract renewals with all of the major industries over time, but remember there's a lot of global uncertainty at the moment. Who knows what's going to happen today. There's real risk that some of these major industries may find the challenges too great, or their owners decide Tasmania is not the place for them. What modelling have you done to understand what that would mean for electricity demand and supply, and how that might impact Hydro's capacity, but also the profitability, and all your operations. There's quite a bit that could suddenly come online almost, not overnight - well, it could happen overnight, who knows?

Mr BOLT - We haven't really done detailed planning on the consequences of exit, but we certainly have envisaged the possibility. Our main focus is in ensuring that we can find some kind of arrangement to maintain industries while, as I said before, making reasonable returns to government. That's our major focus. Erin may have more to say that I'm not aware of.

Ms van MAANEN - There are obviously a number of large moving parts within that. Within our existing demand, over half of that demand in Tasmania is from those four major industrial customers, Rio obviously being the largest. Any uncertainty in their operations could mean a big step change in demand in the state. As Richard indicated, we're working really closely with them. We've obviously recently entered into a new long-term agreement with Liberty and are currently in negotiations for the supply to Bell Bay. Those negotiations continue. We do expect to, or anticipate and are hopeful of, reaching agreement to see all of the major industrials when their renewals come up to continue to operate in the state where that's possible. That's the expected outcome, but, in terms of any perceived uncertainty of - if

there was a change in any of their circumstances in the future, there are also big step change opportunities with new demands.

We've seen a number of active projects in the state to look to add significant new demand both around the Bell Bay Hydrogen Hub and other related projects, and then at a smaller scale as well. You might have a big step change in terms of reduction, although we see that as unlikely at the moment, or a significant step change in additional demand. Really, all the actions that we're taking are about wanting to ensure that we're able to maintain a balanced portfolio in the future. That doesn't mean that supply and demand need to exactly equal each other, but that we're seeing new sources of generation come online ahead of or in tandem with new demand, if that's likely to occur.

In terms of the impact on our business and profitability with significant changes in that, we're in a competitive market for electricity and that underpins, ultimately, in one way or another, the pricing to customers. Particularly, where we have access to a larger market through greater interconnection. There's the ability to look at - if we have excess energy at a particular point in time that can be sold to the market at large, and if we have a deficit it can be purchased.

CHAIR - It may not be sold at the highest price. I mean, with all Hydro's great effort in trying to secure deals with these MIs that are favourable to them, which is what it's all about, it won't be Hydro's decision whether they stay or leave, ultimately. I don't think there's been any formal modelling on what that would mean in terms of obviously Basslink has a capacity, so if there was all this additional energy, or electricity, you can only send so much in one direction at one time, currently?

Ms van MAANEN - Absolutely. We look at different scenarios for that and consider that in how we go about negotiating arrangements and what we consider to be a commercial price needs to consider the market price as well as opportunity cost.

Mr BAYLEY - I have some that flow on from that, if I may. You talked about the future rainfall modelling and the work with the CSIRO and the like. I note that, in advance of the Basslink development, you did quite a detailed report on the potential effects or changes to hydropower generation that looked at downstream modelling, ecological impacts, and so forth. Are you in a position to table that future rainfall modelling?

Mr BOLT - I think it's a pretty reasonable request to understand what the risk to the state is with those things.

Mr BAYLEY - That's right. Obviously, this has been driven by Marinus, by the generation profile that you're looking to entertain into the future, and understanding exactly what those inflows are going to be. It's really important information for the Committee. Noting that last year power generation from Hydro was down 9.3 per cent. I will ask the question, I understand that's largely because of the conditions. Is that correct?

Ms van MAANEN - Yes, absolutely. Financial year 2024 was the driest year we've had in 90 years and those dry conditions have certainly continued into this financial year. We did have a period around August, September last year that was quite wet, but the balance of the year, all of the months have been below average inflows, so we've continued to have those dry conditions.

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We have had a really healthy storage position. We have been able to draw on that at times to generate a little in excess of the rainfall that we're receiving just to mitigate that impact, as well as rely, or benefit from, imports at relatively low prices.

Mr BAYLEY - That's what drove the net import statistics around Basslink?

Ms van MAANEN - Yes, that is correct.

Mr BAYLEY - Also the higher percentage figures around gas-fired generation?

Ms van MAANEN - Yes, that's right. That was a conscious choice, as Richard said, we have that asset in our toolkit. We prefer not to use gas generation if it's not needed, but at that particular time, the storage position was approaching a lower level than where we like to see that sit during the year, what we refer to as the prudent storage level, so we thought it was the right choice to use gas generation in that period to ensure we maintained a healthy storage position.

Mr BAYLEY - Richard, you spoke of the importance of Marinus, from Hydro's perspective, to - I'm not sure if you used the word 'futureproofing' - but to the business going forward. Can you just unpack that again for us, given the volatility of the rainfall patterns and the catchment issues? Is that more around exports, or is that more around imports?

Mr BOLT - Look, it's both. I think that Erin can probably elaborate on that more eloquently than me, but I'll start and she can correct and elaborate.

One thing I will say is, it's not only - Marinus is important, right? It's very important. Basslink is also, of course, already there and important, and we do have an immediate risk concerning the AER's draft decision not to regulate it. We think it's really crucial that when links are built, they are fully available, so that we can export when it's advantageous to do so and import when it's advantageous to do so.

CHAIR - We might come back to the Basslink question in a minute if you'd like because I have some other questions on there.

Mr BOLT - The point is it is crucial because it allows us to do both, is what I'm basically saying. You can look at that in short-term fluctuations of cheap solar in the middle of the day, even at negative prices, coming in and effectively being stored in our dams, being played back when the prices are advantageous. The demand is there for it. Good for the state, good for the system as a whole. Then also in the longer term, when you look at periods of profound rainfall depression that we've had for a period of time - at times, of course, we have plenty, then we have low - then, we can import in order to keep dam levels up, as Erin just described.

It has a short-term benefit in exchanging information between different modes of generation across the Bass Strait, where solar is strong in the north and wind is strong in the south, and, of course, hydro. It also has that more 'interannual,' so to speak, advantage to deal with some of the rainfall fluctuations that played over the longer term. That's how I see it. Erin can probably be more erudite about those things.

Ms van MAANEN - I think you summarised it well. It's really two main benefits that are similar but different. One is, really, the financial benefit of being able to use that hydro

generation at a higher price point and have the advantage of the excess wind and solar from the mainland. Having great interconnection allows a greater financial result across the year. It's also about the physical management of storages and inflows, it really makes that much more resilient and better able to respond to that volatility.

What we're seeing, I guess in the national market - historically, a lot of the concern was always about high demand and high price points, and that's when the export capability is really highly valuable. But, the market is becoming much more susceptible or prone to issues around minimum demand. When everyone has their rooftop solar generating, they're not using much electricity at home, the demand point actually becomes so low it's a problem because there's a lot of must-run generation in the NEM. Being able to soak up that excess generation when it's there is becoming much more valuable as well, and that's really the storage function.

Mr BAYLEY - Last one, if I may, Chair. On the storages, 2016 was a case study in management. What's changed? What are the internal policies and procedures for, and guardrails around, storage management and downstream river management to make sure that we don't get into that situation again and they're not drawn down to that extent again?

Ms van MAANEN - I talked earlier about the investment we've made in the inflow forecasting. Just to cover on that, we'll have a look at what we can provide on notice to answer your question. It is live modelling; it's not like a point in time report, so we'll look at what we can provide out of that.

The broader project was to invest in a whole suite of tools that we use for modelling our system and optimising it so we have greater detail when we're looking at different weather scenarios, as well as different market price scenarios. The tools that we have enable us to look at that in a much more sophisticated way, and look at, not just the average case outcomes, but also what those more extreme outcomes might be.

That's from a modelling and a planning perspective. We have the energy security framework, which has things like the prudent storage level and the high reliability level that we work to in terms of guardrails, as well. Then, it's some of the steps that we're taking to give us more flexibility within the portfolio, like the solar offtake, for example, and progress of our major projects so that we are better equipped within the portfolio to respond to those events.

CHAIR - Just on that, following up from some comments you also made, Richard, we talked about the importance of Marinus. Could the same argument be made that if there were more renewables on island - we're self-contained, if you like, acknowledging Basslink is there - but there's more wind and solar, acknowledging they're variable sources. If that was the case, would we still run the risk of being short of energy in periods of long dry spells?

Ms van MAANEN - From our perspective, it's really about the two being complementary and both being needed. Beyond our business, one of the benefits of greater interconnection is it provides more certainty to developers of wind and solar projects that they'll have the ability to sell all of their output. You could simply build more wind and solar in Tasmania, but because it's variable, there's times where they're generating but not all of that energy is needed within Tasmania, because they can't control the output. Yes, you could have more wind and solar built, but the investment case for it in Tasmania alone without greater connection would be much harder. We can use our hydro generation to firm around new wind and solar, but we only have a certain amount of headroom in that at the moment.

CHAIR - If there was more renewable, there'd be more headroom in that. Clearly, there's going to be increasing demand with decarbonisation in the major industries - decarbonising transport sector, and all that work that's sort of starting. It's a slow ramp-up in many respects. Surely, you could look at this two ways. Has Hydro looked at that - whether we could actually be self-sufficient without Marinus and have enough electricity to supply the transition with the current load, and what would that require on island?

Ms van MAANEN - Yes, we look at a number of different ranges of scenarios for the future. One of the elements within that that's important, though, is physically something might work, but it might not work commercially, in terms of that then being a prospective financial investment for proponents. Certainly, our view would be that the better overall physical and commercial outcome would be to have both together.

Mr BOLT - I was going to make the point that the issue is cost and then prices Tasmanians will pay for that security. Obviously, an interconnector costs too, and that has to be paid for, but there is an audience for that and a market for that on the other side of the Bass Strait as well so they can be shared-

CHAIR - Only if it's fair.

Mr BOLT - Yes, that's true, very much. The point being, Tasmania doesn't have to bear the full cost of it, or anywhere near the full cost, for that to be viable. To be self-sufficient is theoretically possible, but it would be very costly. You'd have a lot of inefficient use of power.

CHAIR - If I just pick up that point, to be to be economically viable, there's differing views about what is fair for Tasmania in this. I know Hydro is not responsible for Marinus Link. The development of Marinus will have a significant impact on the potential profitability of Hydro because you'll change your operating model in that. Am I right? From Hydro's perspective, what's the best-case scenario with Marinus and what's the best-case scenario without Marinus in terms of how that would look? Do you see what I'm asking? Maybe I'm not being very clear.

Mr BOLT - No, you're being quite clear. The reason we're looking puzzled is that there's so many variables that to give you a definitive answer would be false precision on our part.

CHAIR - The average punter out there has no clue - not no clue, but it is very difficult to understand this.

Mr BOLT - It is very difficult. How would you, perhaps, make the point? I can't kind of encapsulate it very easily, except to say that, in general terms, when you have diverse wind and solar resources that are complementary across Bass Strait, the ability to share those and to share the cost of connecting them together, in general, I come back to the point that is likely to be the most efficient way of providing for energy security in the long run. I'm not sure I've nailed your question, so I might ask Erin, because she might have picked it up better.

Ms van MAANEN - To pick up on the thread I think you're going for, in terms of getting to - We talk about affordability. We talk about least cost or lowest prices. From the market's perspective, the way to get the lowest possible cost - whether it's affordable is probably a secondary question - is to have the most efficient portfolio of generation assets to meet the

energy demand, at the lowest overall running and investment cost. Really, when you look at the market benefits test for an interconnector, which is obviously not our business case or project, so just speaking generally. That's looking at, with that in place, will you gain a more efficient outcome overall in terms of the build that's required to meet energy needs across the interconnected regions? That's what that shows. It allows you to build less in both regions overall to meet energy needs, and that results in a lower price outcome for consumers.

Mr BOLT - Can I pick that point up? Good segue to say that bearing in mind the whole point of this is to provide a vital input to the Tasmanian economy and to the running of Tasmanian communities, lower prices will be better for investment because you can say, well, essentially it's clean and it's lower priced than in the absence of the ability to, in a sense, harvest cheap solar from across the Bass Strait. In that respect, it has the potential to be a good stimulus to Tasmania's attractiveness for growing load that uses clean power.

CHAIR - In terms of lower cost, development of renewables, we have a lot of land already utilised with houses that all have roofs, some of them are in good positions for solar, some not so much, but a lot of them, they're all facing the sky, let's face it. There's already networks to those communities. Whether they have the capacity is another question. In terms of a cost-effective way of increasing your renewable energy into the grid, surely that's something that could be done at less cost than building an interconnector? It may be more a question for TasNetworks.

Mr BOLT - The question is not necessarily either/or, Chair. Rooftop solar is certainly popular. It certainly does cut out certain costs. It's also more distributed, therefore harder to maintain. There are some local network effects that need to be taken into account. I'm not in any sense discounting the importance of it, but it does come down to the numbers. How much is enough? In general terms, what we're finding in most of the modelling that I've seen done, most of the reasonable forecasts, is that we need it all. The only question really is, in what blend? We don't have too many binary choices here between - we can avoid doing one thing by entirely investing in rooftop solar. We totally encourage rooftop solar and also a complementary mix of other investments.

Mr BAYLEY - I have one more from what Erin said. Erin, you said that Marinus provides us the opportunity to build less in each jurisdiction, therefore it will cost less - if that's correct? If Marinus - I mean Marinus is a three-billion-dollar-plus project that would be a regulated asset in an ideal world, according to Marinus, where costs get passed on to the customers, the users.

Ms van MAANEN - Yes.

Mr BAYLEY - Regarding your analysis of build less in each jurisdiction, therefore it costs less, does that take into account the cost of Marinus in the first place?

Ms van MAANEN - Yes, and I was referring to the analysis that's undertaken under the RIT-T test, not our analysis, to clarify that. That tests exactly that: is the overall market benefit greater than the cost that would be passed on to consumers through the regulated process?

Mr BOLT - What we should also say is that while we're giving you views on something, we are, to an extent, spectators in the decision on Marinus. We can see benefits in it, we would certainly take advantage of it, but we're not the ultimate decision-maker with that

accountability. I want to ensure that we're not reaching beyond our remit in talking about it. As I say, we can see advantages and we would certainly respond to those advantages.

CHAIR - Can I just ask - with exports, we talked right at the outset about the dry year and the challenges that's had for Hydro. There have been very few exports, except for one week during the 2024-25 year to date. Is this because generation has been less - I won't assume so - or because arbitrage opportunities didn't present themselves?

Ms van MAANEN - In this financial year, it's both. In the previous financial year, we also had lower inflows, but the market opportunities were better. Even in a scenario where rainfall is lower and we might not be net exporting, we would still export in periods where there are advantageous market prices and then import later to maintain the energy position. This financial year, the market opportunities have been less favourable, so we've been less able to offset the impact of lower rainfall with that export arbitrage that you refer to.

CHAIR - Why will Marinus lead to arbitrage opportunities that don't appear to exist in sufficient numbers now? How will Marinus assist that?

Ms van MAANEN - Our view would be - about them not occurring now, we do still anticipate in our market, price modelling would indicate there will still be significant periods of volatility. We'll refer to the price spread, the difference between the high and the low prices, in the future. We certainly expect that those opportunities will be there particularly as the market transitions through the broader market over the next decade.

With Marinus, you essentially have a greater export capacity at any particular time, and import capacity, than we would currently. When those opportunities do occur, you're essentially taking advantage of that price but with greater volume of export or import.

CHAIR - We understand that on the mainland there's an increase in the use of batteries for storage. They're improving and developing all the time in terms of the amount of energy they can store for what period. There is new generation on the mainland as well. Will that have the impact of lessening arbitrage opportunities with Marinus?

Ms van MAANEN - There are a couple of elements in that. Firstly, as you acknowledge, batteries have a much shorter storage duration. Yes, that's been increasing, but it hasn't increased in leaps and bounds. It's been from one to two hours to getting closer to four in terms of batteries that are being deployed. That will certainly continue.

The reality is that the size of the anticipated asset closures, particularly coal departures from the system, are so great that the combination of new variable renewables and storage that will be required to replace that current base load generation is really vast. We think, actually, it will be hard to meet the storage needs in the future and that it will all be needed, but the other key component is that they really do play a different role. A battery can really move that solar energy from the middle of the day in the afternoon into the evening. We need power 24/7 and we need it in periods where wind is low for weeks or we've got grey skies for longer periods. We really do see that battery technology and the deep storage that you can get from hydro generation are highly complementary and lead to that.

Coming back to that, what's that basket of overall least cost assets that are needed in the NEM - you wouldn't want to have no batteries either, because that's not a good use of hydro for that first couple of hours of storage compared to what it can do.

Ms FINLAY - It is just interesting in that there's a wide-ranging conversation going on and I noted with interest the comments about Tarraleah coming through parliament early. We're talking about battery and storage and the whole mix. In the last week I noticed that the Cethana project was removed from the planning process and then there was some commentary online about it being removed to be resubmitted. Can you just talk to the Committee about the status of the Cethana project?

Ms van MAANEN - We've focused a little bit on Tarraleah. Tarraleah is at the point where we've recently completed that business case to then support moving into that market tendering process over time. In terms of where we're at with Cethana, it is at an earlier stage. We had previously completed the kind of feasibility and preliminary estimates around the project that confirmed that we see it's a good project with good fundamentals. What we're working through now is getting to the point of that same business case point as we're at with Tarraleah. We're aiming to get to that by the end of the calendar year. What we're focusing on with Cethana is maturity of the design, the cost estimates, the schedules, all that kind of physical stuff about the project, thinking about things such as where the work accommodation will be - we've been progressing a process to secure an option around land for that - as well as the fundamentals of the business case, looking at the funding and the revenue attributes. It is behind where Tarraleah's at in terms of maturity, but we are working towards being in a position to complete that business case by the end of this calendar year.

In terms of the process that you mentioned, with respect to the EPBC referral process, I'll just make sure I get the timing right, we previously referred the project to the Commonwealth Department of Climate Change, Energy, the Environment and Water in July 2023. The project was determined to be a controlled action, requiring to go through that approval process. The reason for the change there has been that with that further work that we've done to understand the design and the attributes of the project, there's been some changes in basically the physical attributes of the project and its footprint. We consulted with the Department and made the decision to withdraw that application to resubmit a fresh one that has more representative details about the project. From our perspective, that's not restarting the process from scratch; it's really updating that referral to reflect the intentions for the project. We still anticipate that we can receive that approval prior to our planned - to meet the current timing that we're planning for the project. We don't see that as a significant impact to schedule.

CHAIR - Is it still reliant on Marinus Link 2, a second cable?

Ms van MAANEN - Not necessarily. Certainly, we had looked at planning the timing for Cethana to align to Marinus Link Stage 2. At the moment, the shareholders of Marinus are focused on getting Stage 1 to a final investment decision. We look forward to certainty around that. What we're doing with the modelling for Cethana is looking at what its commercial viability is, both in a scenario where there's only Stage 1 of Marinus and also where Stage 2 proceeds. Early analysis around that has been quite promising.

Mr GARLAND - Professor Bruce Mountain has used the power flows over Basslink in 2023 and 2024 at five-minute intervals to calculate the average Tasmanian electricity demand, plus Basslink export, minus Basslink imports. Using these calculations, he concludes that even

when hydro production is at its highest sustained levels for one, 24, and 48 hours respectively, hydro production is not sufficient to meet Tasmania's demand plus net exports. This suggests limitations in hydro generation, not in interconnector capacity, in providing the storage service to Victoria. Can you comment on that?

Ms van MAANEN - I'm just trying to unpack the question, but I think I follow. In terms of the value from interconnection, it's not necessarily about full utilisation of the link at all times. Coming back to that price spread there: we're looking at, when prices are at the higher end, being able to achieve full export, and then at the lower end being able to achieve full import. In the middle, there's a period where you're not necessarily looking to use the full capacity of the link. Looking at averages over time would say that it's not fully utilised, but from our perspective, it's around getting the highest value in terms of making sure that you're utilising it when the price opportunity at either end of that spread is significant.

Mr BOLT - It's probably also worth saying that we're not dealing with a static future, Mr Garland. We're also dealing with the expectation that there will be additional wind power here, which will add to Tasmania's ability to generate, and therefore our ability to export in from hydro. If we then increase the capacity of Tarraleah, and Cethana comes on at 750 megawatts, that's an enormous boost in the ability of the state to generate a maximum amount of power, some of which could be available for export when it's advantageous to the state for export to occur. Perhaps the difficulty there is that Professor Mountain's views are taking a rather static view of the future, as distinct from the one that we're envisaging.

Mr GARLAND - Is additional wind generation needed if Marinus is not built? If so, how much? If not, shouldn't all new proposed wind development be included as part of the cost of Marinus?

Mr BOLT - If Marinus is not built, do we need more wind? I think that's much dependent upon the interaction of supply growth with load growth. The more demand there is here, the more there is a need to supply it. At the moment, I would have thought there'd be a buffer for the state that additional wind would provide, even with what we now consume here, but I'll leave that to Erin to offer any views she might have on -

Ms van MAANEN - Yes, probably two things come to mind. There was the conversation we're having earlier about inflow variability. Having additional wind in the system would allow us to be in a more resilient position in terms of rainfall outcomes and, as you say, there is some capacity to utilise the existing interconnection greater. It comes down to what the future energy needs of the state are. Forecasts vary, but the predominant view is that our load will increase from new industry, from electrification at both a residential and a small-business level, but also we know that there are industries in the state that are looking to electrify parts of their processes. Certainly, the view would be that there will be new wind needed to meet growing demand in the state irrespective of great interconnection.

Mr GARLAND - What objective evidence can you provide the Committee to establish how often, if at all, Hydro is generating electricity, which, in the Minister's words, 'it can't get off the island'?

Ms van MAANEN - As in without Marinus?

Mr GARLAND - Yes.

Ms van MAANEN - There's what we could generate, then there's what we do. The way the system works, we wouldn't generate more than the demand requirement in the five-minute interval -

CHAIR - Yes, it won't let you do that.

Mr BOLT - Well, it just can't.

Ms van MAANEN - because the market will settle that. But, we could generate more at higher prices with greater interconnection. I think that's probably the point.

Mr BOLT - Yes, it's the opportunity lost that I would suggest the Minister was referring to there, of not being able to generate when it would be advantageous to do so, if there was additional capacity to export. Then, again taking the forward-looking view, there is opportunity to do more of that and, at the same time, to leverage that for Tasmania's benefit from island growth as people are added, as electric cars come in, as industries electrify as we know that at least some are planning to do as Erin said.

Ms van MAANEN - Maybe to evidence part of the point there, the maximum capacity of the hydropower system is over 2000 megawatts, the average demand would be somewhere - depending on year - somewhere between 1000 and 1200 megawatts. So, in terms of the capacity in the system, there is excess capacity at any given point in time to generate more.

Mr EDMUNDS - I have a few questions about privatisation. In your submission to the government's GBE reform process, you said,

Hydro Tasmania reviews the operations and strategic value of its core subsidiaries regularly and is of the strong view that there continues to be strategic benefit and long-term value for the shareholders and for Tasmanians in retaining those businesses within the Hydro Tasmania group. Any change to this model could have adverse consequences for the performance of the Hydro Tasmania group, and requires careful analysis and assessment to determine broader costs or benefits of a change.

I was wondering could you talk the Committee through the strategic benefits and long-term value associated with public ownership you're referring to and could you outline the adverse consequences of privatisation you referred to?

CHAIR - We're talking about Momentum, Entura, the subsidiaries, that's what we're talking about?

Mr EDMUNDS - Yes, specifically, that's what I said, that's the quote, 'of its core subsidiaries regularly.'

Mr BOLT - I think it's premature for us to offer views and it isn't also ultimately our call, Mr Edmunds, to be making those judgments. We will give further, more detailed advice on the pros and cons of the role of private capital in parts of our business.

Mr EDMUNDS - But that was your submission that I quoted.

Mr BOLT - I understand.

Mr EDMUNDS - The reason I'm asking, is to inform the Committee about the depth in that submission, I suppose.

Mr BOLT - I'd say that there's more thinking to be done in the micro, so to speak, in the detail of particular areas where there could be advantages. We're not suggesting to government that there are no opportunities, but we're also not pre-empting their decision on what they might have an appetite to do and not. So, I can't give you any kind of definitive answer. It might sound like I'm stonewalling, but the reality is this is a discussion we've got to have with government when we've done more detailed work on the subject, which we are doing.

Mr EDMUNDS - I might ask a few more concrete questions then, if that's okay. Momentum returned approximately \$200 million of profit to Hydro over the past 10 years. Would it be fair to say your dividends would have been lower by approximately the same amount without Momentum as part of the Hydro group?

Mr BOLT - Well, that's one of the issues that we need to unpack as to what the synergies are between different parts of the organisation and the core generation business. Again, it would be premature to speculate on whether that would be different once we've done that work.

Mr EDMUNDS - What would be the impact of privatising Entura on Hydro? Is it fair to assume higher consultancy costs and lower revenues? Could you outline why public ownership of Entura would be good for Tasmania?

Mr BOLT - Again, there are benefits of having an in-house engineering capability in an organisation that is very engineering driven. There are benefits clearly in - there is certainly a value to the engineering market to own Entura. Whether that's a negative or neutral or positive sum for us, we're still working that out.

Mr EDMUNDS - Do you know the total income generated through Entura in each of the last 10 years?

Mr BOLT - Yes. I can certainly provide that, but we'd have to take that on notice.

Mr EDMUNDS - Yes, thank you very much.

CHAIR - Do you want to take that on notice?

Mr BOLT - I think we should do that. Yes. There's no reason we can't and we might be able to give you an answer before the end of this session and we'll try to if we can.

CHAIR - Sure.

Mr EDMUNDS - Thank you. Are employees of Entura and Momentum considered Hydro employees?

Mr BOLT - Entura is a part of the Hydro organisation; it's not a separate corporate entity, so the short answer is, yes.

Mr EDMUNDS - And, do you think Hydro would be a stronger organisation without those two companies?

Mr BOLT - Well, again, that's a question for government and advice that we'll give them will help them make their minds up on that.

Mr EDMUNDS - What advice have you received from the government regarding the potential privatisation of Momentum and Entura?

Mr BOLT - We've been given no advice from government, except that Momentum was clearly mentioned by the Premier as a potential divestment. They've made no decision and we'll give them advice on what we think the consequences would be.

Mr EDMUNDS - That advice that you're going to give them: how broad is that advice? Is it around, you know, dividends, et cetera, but also around potential impacts on cost for consumers, et cetera? How broad do you expect the advice you give the government to be?

Mr BOLT - We'll particularly focus on what it means for our business. No doubt there'll be some ability to estimate what it could be worth to the market, but then what might government either gain or lose - or be neutral on - as an impact on our business? The wider impact on prices and other matters are, I think, for departments and others to advise on, not really us.

Mr EDMUNDS - Thanks.

CHAIR - Michael Ferguson - sorry. Erin, did you want to? Just a moment, Michael, Erin wanted to add something.

Ms van MAANEN - I think it was really to say, this is a process that the government is running. They've made public the considerations that they will take into account in assessing what decisions or alternative options might make sense. Some of that is information about the impact to Hydro, but some are much broader considerations about the whole-of-state perspective. They've certainly advised us on what their process will be, but our focus will really be making sure that they have the right information about the impacts on Hydro so they can make informed decisions.

Mr FERGUSON - Thank you, Chair, and good morning to the Hydro team. I want to pick up on a previous set of questions and comments about the future of Basslink. I might come to Marinus if there's time in a minute. Just in relation to the existing asset that's in APA ownership and the pending decision about whether or not it should be regulated, or, sorry, the pending decision about whether or not it will be regulated.

How is Hydro preparing for this change, one way or another, a decision taken? What are the actions and plans that are being prepared right now by Hydro in either case, regulated or remain as a market asset?

Mr BOLT - Very fine and topical question, Mr Ferguson, that we're quite, as they say, focused on. To start with, we are very keen to see the AER make a final decision to regulate or to have the link regulated for APA to accept the terms of that regulation. We think that would

be of much greater advantage to the consumer and would certainly make our ability to operate effectively to the benefit of consumers much greater.

We are very focused right now on providing whatever information and perspectives the AER could find valuable in reconsidering the position they took in their draft. At the same time, we're also preparing and we have to prepare for the potential for them to maintain that decision in their final. That is a world of somewhat greater uncertainty than we prefer to face, but we're looking at it. Erin, can outline what we're doing on both fronts to both influence the decision and to cope with the decision that we would find adverse.

Ms van MAANEN - In terms of the first part, obviously we continue to engage with the AER through their process. They had anticipated making a final decision by now, but they have kind of extended the process to consider further information, particularly following submissions on their draft decision late last year. We're working closely with the AER's process to, as Richard said, seek to influence that. We really do see the regulation of Basslink as a much more efficient and certain outcome for the market in the future, so we'll continue to do that. Hopefully that will see them reach a final decision in the near term.

From 1 July, we're in a position where it's highly likely regardless, because of the timing of that decision, that Basslink will be operated as a merchant link. APA has indicated that that is their intention and we have no plans to extend our current agreement. Our focus at the moment is operational readiness for that. That needs to look at, particularly within our wholesale trading function, how we are prepared to respond in a range of scenarios. We can't be certain about how they may operate the link from 1 July. That will be obviously their own decision-making and we need to be ready to respond to that and to manage the associated risks.

On the positive side, our flexible generation capacity makes us well-placed to continue to support the reliability of supply in Tasmania and to basically be resilient to the change in how that will be operated. Our focus really is on those dual tracks being prepared to operate from 1 July, but also continuing to advocate for a regulated outcome with the AER.

CHAIR - Can I follow up on that, Michael? Or did you have another one?

Mr FERGUSON - I'd like to come back here.

CHAIR - In terms of that, even if the AER agree that their draft decision didn't look too favourable in that regard, it might say, but in any event if they change their mind and agree to regulate, then there's still a fairly lengthy process that has to unfold. You've talked about managing that period, but in any event, you said you're not going to renegotiate a contract.

Am I correct in that? What are the risks to Hydro then? How will it actually operate from your perspective? Regardless of whether what the decision - if the decision stays that no, they're not going to regulate, then that continues for however long, if they decide to regulate it, there's still a fairly long period from what I've read on the AER website for that to happen. What does it mean for Hydro?

Ms van MAANEN - In terms of the process, you're right in saying if a final decision is made, say the middle of this year, there are still a number of steps. In particular, Basslink will need to go through a process to have a revenue determination. There are other steps that need

to be undertaken for the market to be ready to operate, such as the auctioning of settlement residues, which is a little bit of detail.

Essentially, yes, it would be many months before the asset could move to a regulated basis, and so there would still be that period in the interim.

CHAIR - In the absence of a contract, you did say you weren't going to negotiate a new contract? To be clear, if you lose your dedicated arbitrage arrangements here that will have a financial implication, obviously, so I'm just trying to understand how it will work.

Mr BOLT - We have an incentive to manage that risk, but the difference between our position and APA's and incentives are great enough that we can't guarantee that it would be as favourable a contract as would be in the interests of consumers, and certainly not as favourable as regulation. We will seek to manage the risk and maximise the availability of the link to the extent that we can, but we can't force APA to a particular result. That's probably the way of thinking about it. We will do our best. We just can't offer guarantees.

CHAIR - You will lose your dedicated arbitrage capacity? Is that true?

Mr BOLT - Yes.

Ms van MAANEN - There are two sides to that. Yes, you're right in saying we'd no longer receive the price differences or the interregional revenues between Victoria and Tasmania, but at the same time we will no longer be paying fees to APA under an agreement. There are two sides in terms of that commercial difference. In terms of an agreement, the reality is to reach an agreement you need two parties that have aligned enough incentives. Also, APA has been very clear publicly in terms of their intentions, so that's really what our comments are based upon.

CHAIR - We still have to pay the interest swap for a number or more years as well?

Ms van MAANEN - Yes, there are some other related aspects to the agreements that will have a tail to them.

Mr FERGUSON - That was the question I was going to ask, and thank you for your answers.

CHAIR - Sorry.

Mr FERGUSON - No, that's good. Noting that that was the disposition in the draft finding, I've heard and we understand that you're keen to see regulation, but in a market or merchant scenario is Hydro nonetheless potentially financially better off? You're not having to pay those availability fees, which were very significant under the old arrangements.

Ms van MAANEN - The level of uncertainty around it makes it very difficult to predict whether we'll be better off or not in that scenario. That's something that we couldn't give a definitive view on.

Mr BOLT - There are certain things we wouldn't be paying in the absence of an agreement, but we'd also potentially lose access to the full extent to various revenue earning

opportunities. We may gain on some swings, but lose more on some roundabouts, in the vernacular.

Mr FERGUSON - Is it possible that we need to be circumspect at a hearing like this which is public in relation to these matters because it might be a sensitive negotiation where the state's interests will be foremost in your minds if you need to sit down with APA in the future?

Mr BOLT - We are trying to be circumspect here because it's not only a negotiation with APA that might have to at some point be undertaken, but it's also our dialogue with the AER itself. We're trying to be both respectful to both parties but also to signal a pretty profound risk.

If I can be editorial for a minute with the Committee, I think the period of validity or relevance of market network service providers - the technical term for an unregulated link such as Basslink - is coming to an end in our view. It would be most unfortunate if it were perpetuated into the future. That's our focus at the moment, to see what we can do to minimise that risk and to manage the risks that come with, even as you've said, Chair, the fact that whatever the decision is, there'll be a period of uncertainty during which time APA clearly would have some incentive to consider what the value is in what offer it's made, more or less, of a regulated return, where we have some difficult risks to manage. Beyond that, yes, we're not going to try to reveal our hand with APA, but to recognise that we're in an awkward situation and that awkwardness is one the state bears, not just us.

Ms van MAANEN - The uncertainties in the conversation and the nature of it really go back to why our predominant view is that it's in the best interest of the market to have certainty of Basslink's operation as an open link, provide certainty to all market participants and really ensure that basically the costs are distributed with respect to the beneficiaries of the link. We see that that regulated outcome is in the best interest of all parties. This conversation really indicates the level of uncertainty that exists in a scenario where it's not regulated

Mr FERGUSON - Thank you. My final question is a pivot based on those questions and answers - and thank you for them.

What are the consequences of a market or merchant arrangement for Basslink - if that's what the AER determined, I think in advance of July? What are the consequences for Marinus project, would you say, and the capacity to trade, and to make sure that the state's financial interests are first and foremost in Hydro's mind and ours?

Mr BOLT - Good question. A few perspectives. You start, Erin. I'll supplement.

Ms van MAANEN - Regarding the arrangements for the operation of Marinus, it doesn't have a direct bearing on that. Where it would have some impact is that you would see different outcomes in terms of flow on Basslink than you would under a regulated scenario, so that would have some kind of indirect implication for Marinus. In terms of its intentions to operate as a regulated link and the way that would operate, there wouldn't be any direct impact from Basslink, whether it's being regulated or not.

Mr FERGUSON - If I just add the perspective, though: traders would have choice about which path they take, wouldn't they? Surely, a different market model on one influences the utilisation of the other? Maybe if that's a complex -

Ms van MAANEN - Yes. The utilisation on market outcomes.

Mr FERGUSON - There are two parts to choose from, right?

Mr BOLT - That's right. Marinus would be an open-access link, so zero marginal cost to access and trade over. An unregulated Basslink wouldn't be. As such, Marinus would basically take over as effectively the preferred pathway to market, and Basslink would, in a sense, 'mop up the residue', you might say - provide the balance.

CHAIR - Wouldn't there be an argument there about anti-competitive behaviour - the expectation that government-supported businesses, which is what Marinus is, are unfairly competing in that situation?

Mr BOLT - I'd have to think about that, Chair. I don't know if Erin has a view?

Ms van MAANEN - The reality is the utilisation of the links happens in real time based on the NEM dispatch algorithm, if you like. It really is a function of the bids into the market. The regulated link is effectively bid at zero. The unregulated one might be bid at a different price. It really is a function of dispatch, but I'll clarify that I'm not a competition expert.

CHAIR - Effectively, Basslink is a privately owned asset. Marinus Link is owned by governments and supported by governments, so there is this unfair competition between government businesses. There are rules around that behaviour. This may not be a question for you. It may be a question for the AER.

Mr FERGUSON - Well, it's a question for the regulator.

CHAIR - Yes, the AER, that's right.

Mr FERGUSON - Chair, I might just offer, then - I wonder if our witnesses would be prepared to take that on notice and give that some additional thought? I would never ask the Hydro to provide us information in a public forum which might compromise their potential need for negotiations in the future. Nonetheless, I would ask them to take that on notice.

If I can finish up - and I'd be happy with a brief question, Chair, if there's time. I want to ask about Marinus, finally, to seek a perspective from the company on Marinus Link. Who pays for it? Who profits from it - noting that everybody at the table, including government who are not in the room, we all want to see Tasmanians be net beneficiaries of any potential construction of that project?

Mr BOLT - Sorry, I think I missed the question.

Mr FERGUSON - Who pays for it, and who profits from it?

Ms van MAANEN - From our perspective, we'd talk to the matter of Marinus from the perspective of Hydro, and that's really to echo the comments that Richard mentioned earlier. We see that it will benefit the market and benefit Tasmania's future energy supply, meeting of Tasmania's future energy supply needs, as well as getting to that lowest cost potential outcome for how that energy need is met. It will have favourable impacts for Hydro Tasmania in terms of how we're able to utilise our Hydro assets better in the future, to use their flexibility. We see

that there are benefits for Tasmania generally, but also for Hydro Tasmania and, importantly, benefits for Hydro Tasmania mean benefits back to Tasmanians as well via our dividends. Really, our perspective would be to comment on Marinus from a perspective of Hydro Tasmania, rather than in the broad - unless you have other comments?

Mr BOLT - No, I don't. I think this is definitely for -

Mr FERGUSON - Could I just lead your answer, then?

Mr BOLT - Pardon?

Mr FERGUSON - Could I be suggestive, then, that the Hydro benefits from Marinus in that it has a greater trading capacity, and a greater capacity to make more money for the state of Tasmania? Isn't that the case?

Ms van MAANEN - That is the case, and in terms of the whole energy market in Australia and how it's constructed, every generator in the NEM benefits from transmission access and interconnection. That is a pathway to market for output from all generators so, yes, there's a relationship between that. We have a benefit from that, but just like any generator that has access to transmission and the interconnection to bring its product to market.

Mr BOLT - Again, we need to be careful not to stray into the areas that others decide. Government, our Ministers and, of course, Marinus itself, all have views on this subject. I would make the point - to reinforce Erin's point - we would much prefer, as a trading body, to be selling into a market where the links to the mainland are open-access. That is the better position for us to be in. Yes, we can provide a better service and we can earn more for the Tasmanian taxpayer, and we believe that the overall benefit of that ultimately, in our view, from the point of energy trading, flows through to consumers.

The question about cost of the link and the overall business case is obviously beyond our call, and a decision will be made by others. I don't want to create the impression that we're kind of straying into over-commenting on this issue but, Mr Ferguson, we certainly see a lot of value to us in this, yes.

Mr FERGUSON - Thank you.

Ms van MAANEN - I'd probably add to that, the regulated model for interconnection is the predominant model across the NEM, and that sees those costs distributed across market beneficiaries.

Ms FINLAY - Thank you. I'm really enjoying this conversation, because it's important for us to tease out the importance of the energy system in Tasmania for Tasmanians, and off the back of Craig's questions about what happens if we just remained isolated as an island. Then we're talking a lot about the importance of the diversity of any network, our role in the national network, and the benefits and detriments to Tasmania.

I'm really interested in the modelling, or the consideration you've given, to the publicly subsidised proposal of nuclear reactors around the country and the impact that, if implemented, might have on this interconnector, on our renewable status in Tasmania, and most importantly and specifically, to Hydro. What would happen if that is implemented to Hydro's capacity to

trade and benefit financially from our renewables? I'm wondering what sort of work you've done on the potential impact of that.

CHAIR - The first question is have you done any work on it?

Mr BOLT - Well, that is a fine question. If we have, speaking as chair of the board, I'm not aware of it. The reason, I guess, I would find it unlikely to have a great implication for us - firstly, none of the proposed reactors would be in Tasmania. That's the first point, unless I've missed something.

Secondly, despite some of the more breathless, or at least optimistic, views about how soon these could be built, I believe that even if there was a mandate to do it, they're a long way away. They're really, in many respects, outside the commercial zones or time horizons that we plan for. Maybe that's my view, but if Erin has anything else to say?

Ms van MAANEN - Yes, I would say that we haven't done any detailed modelling of those scenarios, and we see a value in flexible generation across a range of different future market scenarios.

Mr BOLT - We don't really have anything to add to that debate. It's not something we've given any great attention to.

CHAIR - Can I go to some of the planned investments that Hydro has, so there are upgrades, maintenance to some of your current assets, et cetera. How are you prioritising that work and what's the intent behind the prioritisation?

Ms van MAANEN - We have a strategic asset management plan that looks at a 10-year-plus horizon for our assets, across the broader portfolio of our 30 generating assets as well as all the civil infrastructure associated with that. The decision-making on that considers a range of factors. There will be risk-based decisions where there is a risk that if a particular aspect isn't well maintained it could lead to a risk outcome as opposed to a financial one; water release where you don't want it, for example. That's the risk side of things.

Then we obviously want to look to see all of the operating assets continue to generate well into the future, so we'll look at the key components within the generating assets, what their failure/risk profile is and what the timing is that they need to be addressed, either maintained or maintenance work or upgrade work.

We also think about it from a revenue opportunity perspective, which investments within the work that we need to do within that strategic asset management plan will best support our portfolio to respond to market opportunities as well.

The reality is when you have the breadth and the diversity of assets that we have, there are a lot of choices to make about what to prioritise. But we have significant and well established processes analysis in place to consider that and weigh up those things and then recommend what the 10-year profile of work is that we would look to undertake.

CHAIR - With the West Coast Power Station upgrades, like Mackintosh, Reece and Bastyan dams - I understand they're expected to add 40 megawatts of flexible capacity and

extend the lives of those dams. Are those upgrades on schedule and how are they improving operational flexibility and output?

Ms van MAANEN - At the moment, we'll need to get some more detail just to respond to the question fully, but we are progressing those works in line with our plans. There's the planning phase and then moving into the delivery phase, so it is quite a long-term program of works, but I think we could give a more detailed answer.

CHAIR - Put that on notice, then, to get an update on that?

Ms van MAANEN - We may be able to come back.

CHAIR - With the planned investments, what will Tasmania's firm capacity margin look like in, say, 2030? In other words, does Hydro Tasmania project that a combination of hydro storage, new pumped hydro, existing gas backup and interconnection will comfortably meet peak demand even during dry years and low wind scenarios?

Ms van MAANEN - The short answer is yes. Within that we would obviously see progressed development of private investment in wind and solar as well, alongside those other things you mentioned. Yes, our long-term strategy is really focused on ensuring that there is at least balanced supply and demand, and sufficient supply to meet that future demand based on the combination of those actions.

CHAIR - In Hydro's view, how much firming or dispatchable capacity will Tasmania have once some of these works are done versus peak demand?

Ms van MAANEN - As Richard indicated earlier, there are a lot of moving parts within that. To give a specific figure - the reality is there are so many scenarios for what the demand increase will be. We mentioned electrification, new industry, there might be changes with major industrials. Knowing what the demand and what the peak demand figure would be, we look at a range of scenarios for that and then we look to plan accordingly. It's not really that we plan to a specific figure for peak demand.

CHAIR - Do you think new renewables will be built without power purchase agreements if Marinus is built, or do you think that power purchase agreements are going to be required regardless?

Ms van MAANEN - We're not dealing in kind of yes or no answers with respect to that. We have taken a first step in terms of entering into the PPA with TasRex for the Northern Midlands solar project. As Richard indicated, we're developing our market engagement approach so that we can engage further with potential proponents and potentially look to enter into further agreements. There are other factors at play here. There's the Commonwealth Government's Capacity Investment Scheme, there's an active round for that at the moment.

CHAIR - Are you participating in that?

Ms van MAANEN - Sorry, this is more that no market participants would be. People developing projects are also competitors of ours. We don't have access to all of the information with respect to the projects, but we anticipate there would be private proponents participating in that Capacity Investment Scheme round at the moment. If successful, that would provide a

revenue underwriting for projects. It may be that there are projects that proceed with or without our involvement. What we're ensuring we're doing is that we're being open and transparent about our activities. We have a willingness to engage with counterparties around potential contracting, but it's probably not for us to say whether projects will proceed with or without that. You'll probably be engaging with other parties through these hearings that could give you their own perspectives on that.

CHAIR - Isn't a bit counterproductive though, if Hydro, as the generator we own, is entering into power purchase agreements with private investors and we're undercutting ourselves, in a way? I could say eating your own lunch.

Mr BOLT - We would be looking to do things that complement our shift to this higher value firming role. PPAs can potentially do that. The question about whether they're needed and are valuable - you have to judge that case by case rather than being able to, as Erin was saying, take an advanced view that one approach or the other is the right one.

CHAIR - We have all recently seen how purchase agreements might not be listed as onerous contracts. They have been onerous contracts up until very recently. Is that the future?

Ms van MAANEN - Yes, we look to enter into power purchase agreements on purely commercial terms. We've done that with our recent agreement. I would say for me it's not a case of, I'm not sure if you said eating our own lunch, but we're not looking to be everything to everyone and do everything that's required in the state. For us, if we are able to see private investment in your assets and we can complement that with our hydro generation and the projects that we're looking to progress, then that's a good outcome for Tasmania. We need to focus where we can have the most impact and the best value. Ultimately there's a wide range of investment that's needed for the state. If others can help participate in making those investments in the assets that are needed for the future market, we see that as a good outcome for Tasmania.

CHAIR - It would be positive if a new large load, for example, entered into a power purchase agreement with a generator rather than Hydro?

Mr BOLT - It might do that and with the Hydro, with us being their firmer. If that proves to be transactionally complicated, then we're open, pursuant to our charter, to being the purchaser and the on-seller, but again on commercial terms. That's the issue for us, to be helpful only where required, to Erin's point. We don't need to intervene if the market can solve it without us. Where we are needed, we're open to doing that where the commerciality justifies it.

CHAIR - You are subject to ministerial direction too, at times.

Mr BOLT - That's true, but even without ministerial direction, the charter is a strategic form of ministerial direction. We follow that to ensure that where we can in a sense close the gap that might be there, we are doing it in ways that are consistent with our commercial remit. That's what we're now positioning ourselves to be systematically available to do, but not to step in if we're not required.

Mr BAYLEY - Are you saying that you only enter into those power purchase agreements now if they are on commercial terms? You have a principle or an agreement?

Mr BOLT - That is a statutory obligation, Mr Bayley. We're required to operate that way. Government can direct us to do uncommercial things, and we'd be in dialogue with them but our preference, and from the point of view of the state's interest in us giving on average the healthy dividends that we've been doing, we are obliged to continue to be commercial. That's what we do.

Mr BAYLEY - I had a line of questions on this. It was on those dividends, and at the start you mentioned that it's been a tough year. Profits are fluctuating in the financial year to date - revenue is, sorry. Profits are below target. Do you expect to return a dividend to the state this year?

Mr BOLT - It's too early to tell. There are too many months to go, but Erin might have a view.

Ms van MAANEN - There is a lag there. We have returned a dividend this year on last year's profit. As Richard indicated, we are tracking below budget because of that low rainfall which resulted in the gas generation, as well as lower creation of renewable energy certificates. Certainly, we are tracking below budget. May and June have a really large impact on the overall financial results for the business because they are two of the highest rainfall months where we make a significant portion of the profit in the year. We are tracking below budget at the moment, but we don't yet know what the final outcome will be. We are hopeful that we will still be able to return a dividend to the state.

Mr BAYLEY - Just combining these two conversations, dividend returns to the state versus investments in maintenance, investments in capital works - how do you at the Hydro level manage the decisions around what percentage goes to which and how do you ensure that there's enough for those capital investments? How are you managing that? Is it simply by seeking external funding, you know, federal funding and other low-interest funding, or is it around managing the dividend payments to the state?

CHAIR - I'm not sure they manage the dividend payments. I think they're told 90 per cent of after tax profits, that's how it works.

Mr BOLT - Can I just say that with managing a large asset base, the first thing we have to do is make sure we do that prudently, safely, with a view of the long-term interests of Tasmanians, and to trade that as effectively as we can. There is an uncertain market where we do have an opportunity to earn quite a lot, but sometimes things go against us and the dividends fall out of the difference between those two things. We seek to be quite prudent, strategic, efficient, but at the same time quite thorough in managing an asset base that is ageing, that is demanding more of us in terms of refurbishment, and which is a vital asset to the state's future. To go backwards on capacity, to have less safe assets, less reliable assets, will obviously affect our bottom line. We have to invest to earn, so to speak.

Mr BAYLEY - Do you feel like you have enough retained earnings and/or access to borrowings to meet those maintenance and capital obligations while still paying large dividends to the state? Do you feel like it's under control?

Ms van MAANEN - Yeah, I mean, an important thing to note is that our capital investments are revenue-generating. In terms of capital investment on the existing asset, the

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revenue that is produced by those assets is sufficient to manage that maintenance capital spend over the medium and longer term, while maintaining the required or requested dividends or expected dividends. With respect to new projects that we're investing in, we look at them on the basis that they can repay that debt over the life of the assets.

I do have a response on the west coast if you want me to come back to that quickly.

CHAIR - Sure, that would be great.

Ms van MAANEN - Bastyan, Mackintosh, and two units at Reece will be part of the first round of upgrade works on the west coast, with John Butters and Tribute Power Station refurbishments to follow. Bastyan will be the first station commencing in late 2027. As I indicated earlier, we're in the kind of planning and procurement phase for those. The first machine on the west coast refurbishment program is on schedule to start works in 2027. After this, the location of the next station may change but the overall program is on schedule. We estimate the first four machine upgrades will provide the additional 40 megawatts of capacity.

CHAIR - What's the overall timeframe for that? Do you have that?

Ms van MAANEN - Bastyan will be the first, commencing in late 2027. Overall, the program will be completed in the early 2030s.

CHAIR - Thanks. We're just about out of time. Is there anything else that you wanted to respond to before we finish up?

Ms van MAANEN - I think there was one. I'm not sure that we completely followed up the question with respect to Entura and whether it's separate or not. It's not a separate subsidiary. It operates as a department of Hydro Tasmania under the same ABN, with a different trading name. The employees are part of the broader business. Its revenue, income and profits are consolidated into the Hydro Tasmania financial statements and are not prepared separately.

CHAIR - Okay. Is there anything you wanted to add, something we should have asked you and we haven't?

Ms van MAANEN - Do people offer things up for that?

CHAIR - Sometimes. You never know. It's always worth asking.

Mr BOLT - Is that a reverse Dorothy Dixier? No, we've covered what's top of our minds, or you've covered what's top of our minds, shall I say. I don't think there's much that we would have thought needed to be added. We just appreciate the opportunity to have a dialogue with you. I hope it's been valuable. Obviously we haven't been able to answer explicitly everything you've asked, but we've done our best to give a response.

CHAIR - There's a couple of things we will write to you on notice, that's fine. The briefing that you offered, with respect to Tarraleah, are you happy for us just to write to you subsequent to the hearing to look at when that might be appropriate?

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Mr BOLT - By all means. You might direct that to the Minister if you wish to, because obviously in the end the government has to be comfortable with this proceeding. Maybe write to him and copy me.

CHAIR - We're speaking to the Minister tomorrow, so we can chat about that.

Mr BAYLEY - Can I just clarify, you took on notice the rainfall and storage modelling, but you also seem to indicate that these are sort of spot analysis as opposed to a comprehensive report, can -

Ms van MAANEN - I was just indicating that really we're talking about live models, so we can produce outputs from those models, but we don't have, 'Here's a report that was dated a particular date' that we could necessarily provide you. We'll just consider if you ask the question, we'll take that question on notice and we'll consider what we can provide that we think will be useful to the question you're asking, if that's okay.

Mr BOLT - We do take both the long and the short-term view, if I'm not misinterpreting your question.

CHAIR - It'd be helpful to see what Hydro understands that to be.

Mr BAYLEY - The questions you're asking, yes.

CHAIR - That's right, because it will have a significant impact on the way Hydro operates. Among other things, obviously, but that's a pretty significant one that you have absolutely no control over.

Anyway, thank you, I hope it hasn't been too torturous for you, Rachel, sitting there. Erin's done an amazing job being right across it. Thank you all for your appearance today and we will write to you with those couple of follow up questions. We appreciate the time you've taken to appear before the Committee.

Mr BOLT - Thank you.

The witnesses withdrew.

The Committee suspended at 10.46 a.m.

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CHAIR - Welcome back to the Energy Matters public hearing. We're trying to wrap up our round of hearings to fill gaps in our evidence received to date, also as it's a constantly moving feast, to update where things are at the moment.

As you'll all be aware, this is a public hearing. Everything you say is covered by parliamentary privilege while you are before the Committee. That may not extend beyond. If there is anything of a confidential nature you wish to share with the Committee, you can make that request. Otherwise, it's all public.

If you're happy to proceed, I'll get you to do the statutory declaration. I'll then invite you, Seán, to perhaps make an opening comment, and we'll follow with questions.

Mr SEÁN Mc GOLDRICK, CHIEF EXECUTIVE OFFICER, **Mr MICHAEL WESTENBERG**, EXECUTIVE FINANCE and REGULATION, AND **Ms CHANTAL HOPWOOD**, ACTING EXECUTIVE GOVERNANCE, TASNETWORKS, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

Mr Mc GOLDRICK - Thank you for the opportunity to appear once more at the Joint Select Committee. I'm joined by the Executive of Finance and Regulation, Michael Westenberg, and the Executive of Governance, Chantal Hopwood.

Since we last appeared before the Committee, there have been a number of significant events that have occurred that have, or will, impact TasNetworks' operations:

- TasNetworks stood up an incident management team twice: first in February this year, in response to the bushfires on the West Coast, and again in March this year, in response to the widespread outages experienced in the north and north-west due to an intense and destructive lightning storm.
- The Premier announced in his annual State of the State address that the State Government will look at the merits of selling or leasing a range of government-owned or state-operated businesses, and specifically noted that they would consider a 99-year lease of TasNetworks.
- On 21 March 2025, we received approval from the Australian Energy Regulator (AER) to recover the costs associated with the early works for the North West Transmission Developments.
- Our enterprise agreement was approved by the Fair Work Commission on 4 December 2024.
- On 28 February 2025 we commenced an application with the AER to pass through the costs of the storms in September 2024.
- Our employees completed an engagement survey, with the results coming in just a week or so ago on 15 April 2025. Our result was an overall engagement score of 60 per cent favourable, showing a positive trend compared to the 55 per cent in the October 2022 pulse survey and a 56 per cent positive rating in the December 2024 pulse survey.

- Throughout February and March of this year, senior leaders have been working together to review and recalibrate our company strategy to ensure that we have the right balance and focus on our day-to-day operations, and positioning our business for the future to service our customers better both now and in the years to come.
- The state government, our shareholder, tabled a revised statement of expectations for TasNetworks at the end of October 2024, further emphasising the critical role our business plays in the daily lives of all Tasmanians, along with our state's future prosperity.
- I, along with Michael and a few members of the Committee, also enjoyed another year of GBE scrutiny hearings - an important annual event - to allow members to ask about the operations of TasNetworks.
- Most recently, we submitted our annual pricing proposal for network charges - that's distribution charges - to the Australian Energy Regulator. When this is accepted, we will be submitting our approved network charges for 2025-2026 to the Office of the Tasmanian Economic Regulator for consideration, to finalise the final energy prices for Tasmania.

We, of course, welcome the opportunity to share more about these and other topics that the Committee no doubt seeks to ask us about, and we thank the Committee for the opportunity to appear for the second time.

CHAIR - Thanks. I might start off with the grid reliability issues, particularly acknowledging - almost entirely in my electorate - the storms and the fires we had, and the significant impact they had. What is TasNetworks actually doing? How are you ensuring high reliability and minimal outages while also trying to reduce costs to the organisation?

Mr Mc GOLDRICK - I'd start by saying that following the storm events last September, we carried out a very thorough internal review and also an independent lens on what we had done during that storm. We've taken the learnings from that, and it has allowed us, I believe, to respond even better to both the events I mentioned - the bushfires and, indeed, the lightning storm. These were slightly different events than what happened in September. For example, the lightning event was a very intense 30,000 lightning strikes over a few hours, but decimated the northern part of the island. We were able to coordinate our response much more successfully, I believe, because of the learnings we'd garnered from the analysis of the storms in September.

Similarly, the bushfires were less geographically diverse - a minimal impact on our network and quite an impact on the broader community. It affected a small number of customers, a very localised area, but they were off for five days. As ever, we were very grateful for the tolerance and resilience of our customers. We had 20-plus assets that we had to go in and refurbish, and it was a matter of making safe initially, then responding when the fire service allowed us to go in.

I believe there was a lot better coordination between ourselves and the services. I can't speak highly enough of the Tasmania Fire Service and local councils working with us across both those events. As ever, it's making sure that we can respond effectively, but also

communicate effectively with our customers in the midst of an event; that's the challenge we face.

Frankly, in terms of cost recovery, we do budget adequately for storm events. When it gets beyond a certain scale, we have to go back and talk to the regulator, which we've done, for example, for the events of last September, which was quite skilful.

I'd like to offer Michael and Chantal the opportunity for comment.

Mr WESTENBERG - From a cost perspective, TasNetworks is responsible for catering for what we might call 'normal' events. There is a trigger amount, which is around 1 per cent, I believe, of our maximum allowable revenue. We need to tolerate anything underneath that, from a cost perspective - that's around \$3 million - so we need to wear those. Above that, the storm event in September last year, we have put through a cost pass-through application.

CHAIR - How much was the cost of that?

Mr WESTENBERG - The total cost of the storm last year was \$21 million. That's the cost to TasNetworks. We needed to then spend a lot of time working through before we put a cost application, or pass-through application, through to the regulator. We only can seek costs that would be in addition to our normal costs. For that particular event, we have excluded a couple of items. Number one, we spent over \$10 million in the guaranteed service level payments. We haven't sought to recover those.

CHAIR - It's a lot of money in those.

Mr WESTENBERG - A lot of money, yes. What we did with that particular one was assess the amount of money we'd been granted in the regulated submission for the guaranteed service level payments over the entire period of our regulatory allowance.

Mr Mc GOLDRICK - A five-year period.

Mr WESTENBERG - Which is five years. That does consume a large amount of that, but we felt that, at this stage, we would take the position that we wouldn't seek to recover those particular costs. When we did the assessment of the incremental costs - I believe it's \$9.4 million, broken up between a percentage of capital expenditure and operating costs. That is the only amount that we're seeking to recover from the regulator once we've removed the guaranteed service level payments. Other costs - as an example, if we had an asset, a pole or a transformer that we were planning to replace that happened to be damaged in the storm, we need to remove that cost, because we had already been facilitated revenue to replace that. We only look to sort the difference.

CHAIR - To understand this myself, you've done the pass-through request to the AER. Does that mean it'll be passed through to the customers?

Mr WESTENBERG - There is a process to go through. Yes, there is a process to go through. We put the application into the AER. That was open to submissions, which closed recently, and the AER is now in a process of asking further detailed questions. We received the first of those last night, about specific breakdowns and 'why was this decision made' or, you know, quite detailed information. They will then make an assessment on whether those costs

are prudent and efficient, whether the costs are incremental, and ensuring that we're not seeking any recovery of revenue that we have already been provided in our normal proposal.

CHAIR - I mean, in some of these storm events, we see the government funding, from the Commonwealth often, for major storm events, flood disasters, major bushfires and that. So, none of this is provided to support TasNetworks, for example, in recovery from some of these events?

Mr Mc GOLDRICK - No, we work within the AER's framework for this. Once it's above that threshold that Michael explained of 1 per cent, we have to go through a process if we seek to recover and we've just facilitated that, made the submission, and now we're responding to questions.

CHAIR - So, for want of a better word, the insurance that is provided by the Commonwealth government or the Australian Government to states for storm, flood damage, that's completely not available to TasNetworks.

Mr Mc GOLDRICK - At this scale, it doesn't occur.

Mr BAYLEY - Once you get over 1 per cent?

Mr Mc GOLDRICK - Below 1 per cent, we absorb in our existing costs.

CHAIR - It doesn't apply at all.

Mr Mc GOLDRICK - Above 1 per cent, we actually make an application for an additional charge, which, as you have said, would flow through to customers ultimately.

Ms HOPWOOD - I think that threshold is in there to ensure that our base allowance does not allow any sort of additional cost recovery from customers over and above what you could expect. So, any unusual events, we need to go through a pass-through process.

CHAIR - Storms are pretty usual.

Ms HOPWOOD - Of this threshold -

Mr Mc GOLDRICK - Yes, but not at the magnitude we had last September.

CHAIR - Yes. Not that one though. Yes, that's right.

Mr Mc GOLDRICK - For example, the two events I've mentioned most recently, the bushfire and the lightning event would not have been a pass-through, and we will absorb those costs.

Mr WESTENBERG - There's one point also just to mention in relation to Commonwealth assistance. Obviously, that was provided. There was additional assistance through the state provided directly to consumers who were impacted. So, we have our guarantee service levy, which is really designed for a shorter-term outage. There were additional payments made to people who were without power for a longer period of time.

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Mr Mc GOLDRICK - But they did not come through us.

Mr WESTENBERG - But they don't come through us.

CHAIR - Had to throw out all the food from your fridge and freezer, et cetera.

Mr McGOLDRICK - Yes.

Mr BAYLEY - Can I just clarify, in terms of the costs shared by customers, that's shared across the entire customer base, not the local area - the affected area?

Mr WESTENBERG - That is correct. So, the process following - we would wait for an AER determination. That determination would then set what the revenue is and then we look to forecast what that cost impact is on the broader community, not to just the people who have been impacted.

Mr Mc GOLDRICK - Which we would spread over a number of years, of the existing.

Ms HOPWOOD - I might just clarify that this was a distribution cost pass-through. So, it's only been recovered from distribution customers. We didn't meet the threshold on the transmission network, so -

CHAIR - Is that because the damage was mostly to the distribution network?

Mr Mc GOLDRICK - That's correct.

Ms HOPWOOD - I also just wanted to pick up, you asked about our post-implementation review that Seán mentioned. We had 10 active actions that came out of that review that we're pursuing. A lot of them have to do with customer information provisions, so updating websites, making sure vulnerable customers have access to updated information and storm information -

CHAIR - That's when you have power to hook into the website, I might add.

Ms HOPWOOD - Yes.

Mr WESTENBERG - One other item that we have been doing out of the findings is, a number of the executive have also participated in some planning around our emergency management procedures and how that relates to the state process. In that, when we start to look at things such as assisting communities, being really clear as to what is TasNetworks' responsibility and how do we leverage some of the other assistance that would be available, particularly in regional areas from the state.

CHAIR - We know that climate change is real. We know that significant weather events are more likely to occur, and we know that TasNetworks has a lot of older assets with a number of challenges. What is TasNetworks' long-term asset management plan for critical transmission lines and substations, particularly in the face of climate risks and an ageing network?

Mr Mc GOLDRICK - We, of course, have a very extensive network at both a transmission and distribution level that covers the entire island, both urban and rural centres.

Many of those networks are quite exposed, but we do have a very thorough asset management approach and philosophy that looks to make sure that we are optimally investing in the network to keep the reliability levels above the minimum that would be expected. We do take into account the frequency of storm events and what is happening.

CHAIR - Where they are occurring?

Mr Mc GOLDRICK - Yes, where they're occurring and the nature of them as well.

We are always looking to update our asset management policies to make sure that they're fit for purpose in the environment we're operating in. On top of the ordinary maintenance and replacement programs that we do, we are looking to new technology as well to assist us. For example, with respect to bushfires, we're now replacing in key areas that we know are more afflicted by bushfires where we have important parts of our network. We are replacing wooden poles with different types of materials that are more fire resistant. We are also putting fire-resistant mesh and paint on poles that are there that have a longer life. We've a program of work that you'll see when you're out and about on the network, you'll see various different types of poles now. That's because we recognise that, because we've had to replace them on occasion, we think there is a vulnerable point and we work on that. We tackle this from an asset management philosophy point of view. We also tackle it from an innovation point of view with new techniques.

The other thing that we're using is Lidar technology to survey our entire network on the island every year to know the exact position of our assets in the landscape with respect to vegetation and growth, and so on. For the last three years now, we have overflowed our networks, we've taken detailed information down to four-centimetre resolution that allows us to know, in quite some detail, where our assets are in the landscape and what the exposure is, or potentially is.

We also work on fire modelling, along with - cooperatively we work with UTAS and with RACT to try to make sure we have the best modelling for those areas that are most vulnerable in a bushfire, to significant damage. We're using a range of different techniques to make sure that our assets are resilient in the face of climate change.

Mr WESTENBERG - One point to note, if I may Chair. I don't have the number here, but if you look at the storm event, I think it was over 90-96 per cent of all of the damage in the storm event was caused by vegetation outside of the clearance zone. Again, it highlights -

CHAIR - Pretty strong winds.

Mr WESTENBERG - Yes, very strong winds, absolutely. But it's less about what the age of the asset was and what the asset lifespan was, and more about the vegetation. We will continue to monitor and increase our risk assessment as we move towards the new requirements on climate change reporting. Part of that will be to assess different variables and different scenarios in climate change and what that will do to our asset risks. That moves into discussions with the regulator as we move towards our next regulatory submission and this question around resilience, and it is a balance between again, who pays - if you want to strengthen assets for climate change, the pole replacements a great example of replacing a wooden pole with a concrete or composite pole. There is quite a cost difference in that, so being able to balance that up is really that risk assessment that you need to do.

The last part Sean mentioned was vegetation, we have increased our spend on vegetation clearance and the operations team are doing a lot of work in that space at the moment. Again, we can only look at ensuring the vegetation is cleared within easements that we're allowed to.

CHAIR - Just one last for me, and I will go to others. Again, I didn't understand the fact that the pass-through or recover back or whatever - the pass-through costs are an application to the AER, which I imagine there'll be parts of at least that will be found in favour of TasNetworks to recover from the general customer base. I don't know that everyone's aware that those deep down in the south will be paying for the storm damage in the far north-west, for example. That said, has TasNetworks evaluated how much customers are actually willing to pay for improved reliability, including not for their own reliability perhaps, fewer and shorter outages versus lower bills? Has there been any work done to see where the customer comfort zone sits there?

Mr McGOLDRICK - I'll hand over to my colleagues in a second, but if I go back a couple of years in the lead in to our regulatory submission which was approved last June-July, we did a significant level of engagement with our customers, large, medium and small customers. We visited customers' premises and had workshops with customers, and that was one of the questions we did put to them because the regulatory process insists that we engage with customers and bring their thoughts through it. As I recall, the results of that survey were that people were very tolerant with the idea of investing outside of their own assets for very poor performing feeders. They saw that it was reasonable that there should be some extra charge, provided it was efficient and fair, to improve the overall performance of the network, even in areas that were geographically apart from them. There was an acceptance that that should be the case given how important electricity is in society nowadays.

Ms HOPWOOD - We did have willingness to pay as part of our customer engagement work leading into the reset. Certainly, those customers who were connected on poor performing feeders were willing to pay a marginal increase to have improved reliability, as could be expected. Once we went through historic reliability zones with other customers and explained there are some areas that have comparably low performance in terms of reliability, they were willing to pay to support fellow customers, but it was within the margins.

Mr BAYLEY - I wanted to get an update from TasNetworks in relation to Marinus. Your ongoing involvement with the project, analysis of risks and timelines and the interrelationship with the North West Transmission Development projects - give us a broad update and then I have a few follow-ons as well.

Mr McGOLDRICK - I will start by saying we divested Marinus. We're no longer directly shareholders. I'm no longer on the board, for example, but we maintain very close links because we're at one end of the Marinus cable, so we have to coordinate from project to project, which we do at multiple levels. I and the Chairman meet with the Chief Executive and Chair of Marinus on a regular, monthly basis. Our teams at different levels engage all the time to ensure that we're fully coordinated.

The best and most important thing we need to do from Marinus is to build Stage 1 of the North West Transmission Developments. We've been focusing on bringing that project through the development and approvals phase in order to get all the things required for us to begin construction in about 18 months' time. I am happy to report that we've received regulatory

approval for our early works portion of that project. We need to spend of the order of \$150 million investigating sites, detailed design work, and making sure that we can get an accurate project and an appropriate project to deliver on the requirement for the Marinus cable connection. We have that regulatory approval. We've appointed a head contractor, which we did just before Christmas. They're now active and we have the funds through the regulatory process for them to continue working through things like the detailed design of the project. We have also recently launched our development application for Stage 1 of the North West TD. That happened about a couple of weeks ago, I think.

What I would say is that we're developing at pace and we're reaching the end of that developments and approvals phase. The next stage now is to make a regulatory submission for the construction aspects of the project construction costs. We're focused on that now. In the coming months we'll be making various regulatory submissions in that regard, which will be public.

To round it out before I hand over to my colleagues, just to say that we also are working through what I would call the financial investment decision for the North West TD as a project. Indeed, we have three board meetings next month to focus in on this and decide if we wish to go ahead with the project and on what basis. That's a key point in any project's -

Mr BAYLEY - When will you make that decision? Have you set yourself a date?

Mr McGOLDRICK - Yes. We have a final board meeting on this on 28 May, and we're due before the end of May to give advice to the government in our shareholder in respect to the financial investment decision on the project.

Mr BAYLEY - On 28 May you'll give that advice to government around -

Mr McGOLDRICK - No. The board will decide on 28 May, but it will be in the days following I will formulate a letter to government in that regard.

Mr BAYLEY - Quickly on Marinus: the last budget had I think \$103-odd million in it to make TasNetworks whole for the early work you'd done around Marinus. Did that make you whole? Did that cover all expenditure?

Mr McGOLDRICK - We've got about \$92 million of that paid, and just before Christmas we're due to have the balance of about \$12 million paid to us before the end of this financial year.

Mr BAYLEY - Does that make you whole, or had you expended more on the Marinus project?

Mr McGOLDRICK - It does, yes. No, that was it.

Mr BAYLEY - What work have you done around cost implications of the Marinus development for various customers? We had a submission presented to us in evidence from Grange Resources around a 29.6 per cent increase that they had been informed would be a result of the Marinus project to them as an industrial customer -

CHAIR - In the network charges.

Mr BAYLEY - In the network charges, indeed. What work have you done for other customers in the network charge component, and is it similar? Does it come up with a similar figure?

Mr McGOLDRICK - We'll give you some of the detail in a moment on the cost implications. Just to assure you, we've met with many customers, particularly major industrials, but also 12 directly connected customers on the transmission system who would be impacted by the North West TD and its costs and benefits. The distribution system is also a connection to the transmission system, so there would be costs that would flow down through there. We've had multiple meetings over the last couple of years, sharing our projections on those costs as we've refined them and moved them forward.

Recently in the last few months, we have had a round of meetings too where we've shared detailed projections with our stakeholder group. We have a customer group and a stakeholder group, so we've shared those projections with them. Of course, that's leading up to a regulatory submission in the coming months. If I could hand over to -

CHAIR - Just to be clear on that, what you're talking about here, Seán, is the flow-on of network charges related to the North West Transmission Developments only?

Mr McGOLDRICK - Yes, exactly.

Mr BAYLEY - Do you see them as one and the same? Grange reported them to this Committee as being in relation to Marinus. In your headspace, do you see North West Transmission Developments - I mean, I know it's part of the Marinus Link project, I know that - do you see them as one and the same because they're joined at the hip?

Mr WESTENBERG - If we relate to the question around the presentation provided to Grange - I think it was actually Chantal, myself and one of the other executives who tried to meet with just about all of the major industrial customers at that point and provide them with what were then the indicated prices for this year, or the following year. A number of people wanted prices on a range of scenarios, different contingent projects. The North West, Marinus, in the case of that particular presentation, my understanding that that figure related to both the impact of Marinus and the North West related -

CHAIR - That's what they said.

Mr WESTENBERG - Yes, that's correct. That is sort of indicative at that particular point in time. We probably, as time's moved on, have been - obviously, as we divested Marinus - focused more and more on specifically doing work around the North West and what the North West Transmission means as the two entities separated. That's where our focus has been.

CHAIR - What percentage increase would major industry players reasonably expect from the investment in the North West Transmission Developments?

Mr WESTENBERG - I just want to double-check a couple of the assumptions that go into these. What we've looked to try to do is pick a point in time in the year 2031-32 where the project's finished because it's complicated to get through to that point and it could vary

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dramatically. That's the first assumption. The second assumption is that we're pricing it in 2024-25 dollars - that's correct?

Ms HOPWOOD - Yes.

Mr WESTENBERG - Based on that, it's around 15 per cent increase -

Ms HOPWOOD - 14.3.

Ms HOPWOOD - Yes, 14.3 is a common effect for stage one on the North West.

Mr BAYLEY - To industrial customers?

Mr WESTENBERG - Transmission - that's the transmission network, yes, which -

Mr Mc GOLDRICK - Sorry. Just so we're clear in front -

CHAIR - Won't that flow through to everybody because Aurora is a major customer?

Mr WESTENBERG - Yes. A portion of it does. If you wanted to separate out the major industrials from the distribution network, it's 15.6 per cent, and that, again, is network charges. That doesn't reflect any reduction in wholesale energy prices or reduction -

Ms HOPWOOD - Yes, I was going to say, that's purely network charges with no inclusion -

CHAIR - Do you have something you could provide to the Committee, like a graph?

Mr Mc GOLDRICK - Yes, we're happy to do so.

CHAIR - That would be really helpful for the Committee to have because sometimes seeing the data is helpful.

Mr BAYLEY - What about for the retailers? Is it something similar?

Mr WESTENBERG - When you say retailers, for a retail customer?

Mr BAYLEY - For the domestic retailers, yes.

Mr WESTENBERG - It reduces down quite considerably. With the retail customers, once we apply a concessional mechanism - if you go back to the original MOU between the state and Commonwealth about the deep concessional finance that we're arranging through the CFC, we've been working over the last 12 months to finalise that, which is also part of the financial investment decision. Based on that forecast, at the moment, the incremental change would be about 3.5 per cent for a residential customer.

CHAIR - Increase obviously?

Mr WESTENBERG - Yes, that's right.

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Mr Mc GOLDRICK - Yes, increase.

Ms HOPWOOD - Similar for a small-business customer.

Mr BAYLEY - 3.5 per cent. Just quickly, just for me, how do you explain that difference? How is the difference explained in terms of the transmission costs -

Mr WESTENBERG - It's the flow through from the transmission network down into the distribution network and -

Mr BAYLEY - Because there's more capacity to absorb those costs, or?

Ms HOPWOOD - No, it just relates to the large base of transmission customers we have connected to the transmission network and the portion of total revenue that they pay.

Mr BAYLEY - Directly connected -

Mr WESTENBERG - Directly connected, yes.

Mr Mc GOLDRICK - On any given day, they're over 50 per cent of our load.

Mr BAYLEY - Understood. They're directly connected.

Mr WESTENBERG - All of this pricing is done through a specific framework and methodology. We don't have the choice of trying to allocate pricing differently in those cases. The transmission network receives its component, and then flows down through the distribution network into the residential customers. And we can provide a number of different -

Ms FINLAY - Chair, can I -

CHAIR - That would be helpful, thanks. Ms Finlay, I'll go to you.

Ms FINLAY - Without interrupting - Vica, apologies - just specifically on that. If the deeply concessional finance is no longer available in the future and TasNetworks continues to deliver the North West Transmission, have you done modelling on what the costs would be there?

Mr Mc GOLDRICK - In the nature of what we're negotiating through the CFC as concessional financing, it would be available for the lifetime of the project.

Mr WESTENBERG - Yes, that's correct.

Ms FINLAY - There's no concern that a change of policy might remove that deeply concessional finance for the project in the future?

Mr Mc GOLDRICK - No, it's a legally binding agreement.

Ms FINLAY - Okay, thank you. Can I ask further, I'm interested in the decision date or the recommendation date of 28 May and the days to follow, a recommendation to government, and the connection between the Marinus final investment decision and this, and whether the

North West Transmission Developments recommendation is in isolation to the Marinus decision? That's my first question. The second question is about the commitment and that consideration on Stage 2, how important Stage 2 is, and consequences of not delivering Stage 2

Mr Mc GOLDRICK - Okay. I'll have a go at that first. With respect to in isolation or not, these projects are joined. Physically they will be joined, but also in a regulatory sense they're joined, in that it is one entire 'project Marinus' that is going through the regulatory regime. We have close links with Marinus Link itself. We meet, as I've mentioned earlier, on regular basis. We keep each other updated, both at a strategic level and all the way down to our operational folks, to make sure that these projects are literally joined at the hip. When we are making the financial investment decision, it will, of course, be - the only reason we will be delivering the North West TD in this format, in Stage 1, is to do with the first cable of Marinus. It is contingent upon and will be subject to a positive determination on the first stage, I think it's called phase 1 of Marinus, the first cable of Marinus, so it's dependent upon it.

With respect to your second question on Stage 2 of the North West TD, that also is dependent upon a number of different factors, including a second Marinus cable. That decision is forthcoming. It's not something we're working on right now. We're expecting, first of all, guidance and a decision with respect to when Marinus would bring forward Stage 2, then we would respond with the further Stage 2 of our project in the north-west. I'll hand over for any comments to my colleagues.

Ms HOPWOOD - Picking back up on the North West financial investment decision. We will be making a recommendation, as TasNetworks, at the end of May to shareholders in respect to proceeding with the project and Marinus will be doing the same. That's the linkage in terms of timing and how that will flow on.

Ms FINLAY - Can I ask a completely different question? In the event that Marinus doesn't proceed and so North West Transmission, as linked to that project, is no longer proceeding because it's linked, if Tasmania in isolation without Marinus Link, requires increased generation on island for the purposes of current businesses and industry and new industry, what is the consideration of TasNetworks for increased transmission, in terms of its current condition and capacity to service Tasmania and the needs on island separate?

Mr Mc GOLDRICK - If I could just explain a little bit that under the regulatory regime we have to be very careful about allocation of costs and putting costs on our consumers. Depending on where and when the generation is developed on the island, we will make a connection to our core transmission network. That connection is paid for by the generator, but then the implication on the broader shared network is something we consider through our annual planning process. We work with - right across the NEM, in fact, coordinated by AEMO - but every year, as jurisdictional planner here, we present a range of scenarios and we work through - and it's published in our document, the annual planning report, which I think I gave to the Committee last year when we met - but, it is entirely dependent upon where the generation will arrive. What I would say to you as an old transmission planner myself, is that, if I would to take a rough estimate about where I think generation might organically arrive on the island in the absence of Marinus Link, certain elements of the existing North West TD, both Stage 1 and Stage 2 would ultimately be developed, parts of it would make sense to develop in that situation, but it would be different timing and less together, shall we say, as a single project. Again, it's very dependent upon the timing of what generation, what type of generation arrives, where on the network.

Ms HOPWOOD - Can I just pick up on that, as part of our regulatory proposal process, we have a requirement to identify projects that are likely to proceed, but not certain. They're called contingent projects and we have a range of seven of them in our current proposal. They link to different load and generation potential triggers which would enable transmission investment should they occur. I spoke about a few of them last time. One of them relates to growth in the George Town area as that could relate to a hydrogen hub or similar investments. That would enable us, should the business case for each of those particular projects stack up - so there still would need to be market benefits, a benefit to customers over and above cost - we could proceed with augmentation in that sense.

Mr GARLAND - With the North West Transmission Developments, what is the most up-to-date cost estimate for that?

Mr McGOLDRICK - We work on the cost estimates in different phases. The cost estimate that I have most up to date at the moment is \$950 million for Stage 1 of the North West TD. We're doing detailed work at the moment to improve that estimate and get it more accurate. It's in a certain category of accuracy at the moment, but we're doing detailed work in the field. As I mentioned, we've appointed a head contractor who is doing the actual design first. These are all things that feed into improved cost estimates. We are working on those improved cost estimates with a view to making regulatory submission for the construction phase in the coming months. There are a couple of submissions we have to make and we will be putting in updated estimates once they're approved by our board and approved by our shareholder in the coming months. The latest estimate I can share at the moment is \$950 million.

Mr GARLAND - The industrials - Grange have been told their price will go up 29.6 per cent, and did I get it right that for the residential customers there is only a 3 to 4 per cent rise in their -

Mr McGOLDRICK - First of all, with respect to Grange -

Mr WESTENBERG - That was specifically around the Marinus and the North West, that wasn't their normal annual price increase, by the way.

Mr McGOLDRICK - That will have changed now and it's not for - that price isn't an annual increase. It'll be over a number of years in the future when these projects are commissioned. It's only when they're commissioned, so it's not instantly. The early works portion we will recover, but it's \$150 million, and that'll be shared over the entire network.

With respect to the distribution customers, the incremental charge they will face for the North West TD in the coming years for retailers was at 3.5 per cent.

Mr WESTENBERG - In relation to your initial point, when we discuss with Grange, at that point we were still working through concessional finance arrangements, so that price may still reflect a non-concessional arrangement. Just checking at the moment.

CHAIR - Just on that, from my understanding this development, or at least a large part of it, needs to occur regardless of whether Marinus goes ahead or not?

Mr McGOLDRICK - Sections of it may need to go ahead. Irrespective of where we get the power, we're going to need improved power supply on the island for reliability and security of supply reasons in the coming years. Dependent upon where that will arrive, our core network will need to be reinforced. It would be my reading of the annual planning reports and the studies I've seen in for the forthcoming years that certain parts of it may be needed, but it's highly dependent on where generation and load would develop.

CHAIR - Which is likely to happen with the expectation of the transition away from fossil fuel energy, et cetera.

Mr McGOLDRICK - The timelines would be dramatically different.

CHAIR - Let's assume that it's approved and Marinus is linked to that. What are the workforce projections that you have? Would you have to do a large recruitment to deliver this?

Mr McGOLDRICK - I'll talk just about the North West Transmission Development. The way we will be seeking to deliver it is through, first of all, using our supply chain effectively. We did make an appointment to a head contractor just before Christmas. They are going to be charged with delivering this project. They will be recruiting through their supply chain and their existing workforce to deliver the project. That's their responsibility. On our side, we will have a project team. Currently we have quite a small project team, very highly skilled and important, that are bringing the project to its development and approvals phase.

If the project proceeds and we get a positive FID, it would be our intention then to recruit a relatively small number of highly skilled engineers and economists and people who are familiar with contracts to work with the contractor to make sure that what we require to be delivered is delivered on budget and on time. That's a relatively small number.

CHAIR - A relatively small number doesn't mean anything.

Mr McGOLDRICK - It could be of the order of 50 people. It's not going to be hundreds and hundreds of people.

CHAIR - Around 50 people. Would it be expected they would live in the north or on the north-west?

Mr McGOLDRICK - There would be a significant presence up around the north-west. We're currently looking at places like Deloraine to be a hub and so on, but we have existing depots in the area as well. Yes, we will have a presence on-island, some in Hobart, but quite a lot up in the north-west.

CHAIR - The principal contractor, how many would you expect they will require?

Mr WESTENBERG - We'll have to check that number, which we'll give you. One of the other points to note, because I would suggest that they will be considerably more than what we would put on, part of their responsibility is also to propose how they house and keep the people on the ground, very mindful of impacting on current housing situations et cetera

Mr McGOLDRICK - And the local community. Part of our assessment and appointment process did take into account the impact that this would have in the local

community and how they were going to manage that. They will have hundreds of staff, there's no doubt. We will endeavour to get a figure.

CHAIR - We need to be thinking about this now.

Mr McGOLDRICK - We certainly are.

CHAIR - You said there's an expectation there that that will be dealt with. From a member of the community up there, it's important that we understand that that is being looked at and what plans are in place. I'm trying to get something concrete from you to have some confidence that this is not going to displace people who have their rents shoved up and push them out, as we see in mining communities when a mine opens and the people who have lived there forever get pushed out of their homes. I want to understand what work is being done to prevent this.

Mr McGOLDRICK - First of all, I would assure you that there will be a very positive economic impact on the community through the supply chain of our head contractor and ourselves. There's definitely a positive aspect for businesses in that area through the extended supply chain that we're going to need for machinery.

CHAIR - I understand that and that's fine. I am talking about the housing aspect. Are we going to see workers' camps established? We saw that happen on the west coast. I'm trying to understand what this will look like.

Mr McGOLDRICK - That's part of the detailed proposal we're going to be working through. Let me say that our appointment has been of a contractor who is very experienced in this area and has delivered a number of projects of this scale in Australia. It's something that I'm comfortable that there will be an appropriate dealing in the local community. We've had conversations with all of the regional councils up there. It's an impact on housing, but it's also an impact on roads. It's making sure the right landowners are dealt with effectively, that dust suppression is done properly, that traffic management is in place to show a whole range of things that we are very conscious of the impact on the local community. Housing is a key one, and that's certainly going to be part of our approach.

CHAIR - When will we see something that we can confidently talk to the community about?

Ms HOPWOOD - Our permit application lodged predicts 333 roles during construction, with approximately 45 per cent in the north-west region. Our contractor, RFI, also included a requirement to arrange housing for those workers during construction - most likely a camp kind of arrangement, not impacting local houses.

CHAIR - Camps have their own challenges.

Mr McGOLDRICK - One of the things that we do see, as well, is that it can have its challenge but it can also leave something residual for the community.

CHAIR - Depends on where it's built, Seán.

Mr Mc GOLDRICK - Agreed, and that's exactly what we've been talking about to various different groups, including the Cradle Coast Authority and other parties up the north-west coast and the North generally, to make sure that whatever we decide and however we deliver it, it will have a positive impact. It's something we are also taking into account in our community benefit scheme that we're delivering as well.

Mr GARLAND - Could you clarify what the cost increase will be for both Marinus Link and the North West Transmission Developments for residential customers in 2031-32? Not the annual percentage increase, but the increase in the network costs between now and 2031-32.

Mr WESTENBERG - Are we in a position to give that today?

Ms HOPWOOD - No, we only have North West.

Mr WESTENBERG - We only have North West at the moment. We'd need to come back to that.

CHAIR - You'd have to ask Marinus for the other half of that.

Mr Mc GOLDRICK - We can certainly give you the North West figures, if that's -

Mr GARLAND - That would be great.

Mr WESTENBERG - You're actually after the specific amount, rather than the -

Mr GARLAND - Yes, the percentage.

Mr Mc GOLDRICK - A percentage increase between what the charge is today?

Ms HOPWOOD - The dollar amount?

Mr GARLAND - Yes.

Mr WESTENBERG - I thought it was a dollar amount, as in this one here - \$36 for the average residential customer. Is that the answer?

Mr Mc GOLDRICK - Just to be sure we're being responsive, that's between today's charge and the charge in 2031-32?

Mr WESTENBERG - Yes, the incremental impact of it. That's correct.

Mr EDMUNDS - In your opening statement, you spoke about the announcement in the state of state speech by the Premier, including the policy, or potential, to privatise TasNetworks via a 99-year lease. What conversations were held with the government prior to that announcement, and what discussions have been held with the government since then?

Mr Mc GOLDRICK - There were no conversations with the government prior to the announcement. Just to be clear, TasNetworks is not responsible for this; this is a matter for the shareholders. We're not accountable for it. We weren't consulted beforehand. We were informed just the day before the Premier's speech.

We understand that there is a process ongoing at the moment to assess. We understand that that process is reliant on public information. We're ready to provide any information that's requested, but as yet we've had no detailed requests on any information. Unfortunately I cannot give you an update. We're awaiting the determination in that regard.

Mr EDMUNDS - In your submission about the other GBE reform process, there were comments about how reviews of government business ownership can significantly impact employee engagement, health and wellbeing, and may lead to uncertainty among employees, potentially affecting their morale and productivity. I was interested in reaction from your workforce and how concerned you are about that announcement and the impacts on staff. There was also a quote that there was an 'increased risk of losing high-performing employees who may seek more stable or appealing opportunities elsewhere', and whether that's still a concern.

Mr Mc GOLDRICK - First, if I could say in very specific terms, the timing was interesting, because it was during the period where our engagement survey was open. We're still going through the detailed analysis of the engagement survey. I would point out that it has improved. It's not where I would like it to be. I'd like it to be above 65, tending towards 70; we're currently at 60. However, it is an improvement.

We are going through the detailed comments, and we've had hundreds and hundreds of comments. We had a participation rate of over 85 per cent, so quite an amount of people - hundreds and hundreds of people - and some of them took the time to make some detailed comments. We're analysing that at the moment. In general, I can say that the atmosphere in the company is one of - people understand that this is a matter for shareholders but they also understand that, in public or private hands, our job is not a shareholder job; our job is to be a safe, reliable and affordable utility, and that's what we're concentrating on.

Of course, we're interested in the process and how it might unfold. We are keeping our employees informed, i.e. when we hear stuff, we will share that, and when we know stuff, we will share that with our employees. That's the first step, I believe, in keeping them engaged - to be open and transparent about it. At the moment, like everybody else, I think the average employee is just saying, well, we'll focus on our job and then we'll see what emerges from this assessment, then we'll meet it as required.

I'd say that with respect to staff retention, I still have a concern. At the moment, I believe people are awaiting an outcome. From what I can see, our turnover rate has not accelerated, or we've not suddenly seen an amount of talent disappearing out of the business. Again, that's a key thing that will be my responsibility and the executives' responsibility to manage - to make sure that in the event a divestment, or a long-term lease is sought by the shareholders, we keep our talent in the business so that we can still concentrate on being safe, reliable and affordable.

Mr EDMUNDS - Since the announcement in the state of the state speech, there's been no request of TasNetworks for any submission or extra information around the business's views on that?

Mr Mc GOLDRICK - As I understand, the current assessment is relying on publicly available information. Bar a few very general questions through State Growth, there has been nothing specific that we've been asked for and we've not been involved in any workshops or detailed meetings or anything of that nature.

Mr EDMUNDS - The Premier was quite specific about the model for TasNetworks. It was sort of broad about others, but TasNetworks was about a 99-year lease. Is that something that you'll start doing internal work to prepare for if you do get that request at some point?

Mr Mc GOLDRICK - Currently, we're awaiting the initial assessment of whether we will move forward in that model or any other model. Obviously, if that was to occur, we will be professional about it. As I said, it is a shareholders' decision and it will be up to us to implement that decision, still bearing in mind that we have an entire state and island, hundreds of thousands of customers, that rely on the energy system, the electricity system. While it's something that may happen in the future, and we will deal with it professionally, we will not allow it to distract us from being a safe, reliable and affordable utility and delivering key projects such as the North West TD. It's not optional. You can't decide not to do these things.

CHAIR - They would still be getting advice from the Solicitor-General if it's even legally possible.

Mr EDMUNDS - Indeed. How do TasNetworks' costs and customer charges compare to similar private companies that operate on the mainland? Is TasNetworks more or less expensive for consumers than private-owned entities, and would you say you are currently an efficient organisation?

Mr Mc GOLDRICK - Some very, very broad questions there. Let me have a go.

Mr EDMUNDS - I'm probably most interested in the one about whether it's more or less expensive for consumers than private-owned entities.

Mr Mc GOLDRICK - What I would say is that we regularly are benchmarked by the Australian Energy Regulator. The AER publishes its benchmarking regularly across a range of different things, including reliability and affordability. We're about the middle of the pack on all of those items, but it is up to the regulator to decide. Private or public ownership doesn't matter. Our networks businesses in Australia are regulated, and they decide the economically efficient charges that we can pass through to customers. I take some comfort in that, because I see a very professional organisation that's very data-driven and fact-driven that judges our assessments and our submissions.

The price path has been set for us right through till 2029, and bar an occasional pass through for a storm or a contingent project, we know broadly where we're going and that's a regulated business. It does not matter whether you're private or public ownership, that's the environment we work in.

Mr WESTENBERG - I think that Seán covered it. In relation to the work that the regulator does about ensuring that we're prudent and efficient, the last two submissions we've made, if we look at our regulatory submission and our cost, the submission for the North West early works, both of those were sort of accepted as being prudent and efficient as part of the process. It's about the regulator determining what a business can cover to manage the network, and not about whether it's private or public.

Ms HOPWOOD - I was also going to say that in addition to the benchmarking that the Australian Energy Regulator does in terms of cost and price, St Vincent de Paul also do have

something called the tariff tracker, and we're normally around the middle of the range as it compares to other jurisdictions for residential customers.

Mr EDMUNDS - You talk about, there's not a lot of difference regulatorily between private and public, but there certainly are around some, say, government policy by local, some of the work you do to support community organisations, et cetera. Could you outline for our understanding some of those differences that do apply, being publicly owned?

Mr Mc GOLDRICK - Any business, public or private that's active in the area of networks and constructing new projects and maintaining older assets, they all are much of a muchness in terms of their outreach programs to the public. They may have a different view on what they sponsor or a different policy here or there, but that to me is not a case of whether it's public or private. There are significant differences in what you might do if you're in New South Wales relative to Tasmania, simply because you have a vast customer base in New South Wales and a very minimal one in Tasmania.

I think it's much of a muchness. You have to do the same things because you have to get your assets maintained, you have to get your projects built, and you are inevitably embedded in the community through your depots and through your assets. Good outreach programs, good communication programs, and good stakeholder management are part of the philosophy of any decent utility, public or private. I don't see a material difference in that regard. Any company who's active in our sector is subject to state legislation, so I would expect that state legislation would still apply to any company who may or may not take up a lease in Tasmania.

Let's not forget that if a process is followed and a lease is arrived, a long-term lease, there will be conditions associated with that lease. It's pretty normal in these situations for a state government to retain some element of ownership for a start, but also to ensure that there are standards set for reliability, affordability, community involvement and engagement, and local supply of goods. It's not necessarily to say you have one or the other. It depends on which way you wish to go through a process.

Mr BAYLEY - We've talked a fair bit about North West Transmission Developments. Can you update us on other major transmission upgrades that are required? I know the Waddamana to Palmerston Transmission line has been identified as needing upgrade, particularly in the context of several new wind farm proposals down there. How are you managing the transmission network more broadly and prioritising which ones need up upgrading, and give us an update on that Central Highlands line?

Mr Mc GOLDRICK - Waddamana to Palmerston has been identified in AEMO's integrated system plan as an actionable project. We are working through that process in that regard. I refer back to something my colleague Chantal said earlier, we've put a range of different contingent projects in place in our existing regulatory submission. Each one of those contingent projects has a set of triggers. If a particular new load arrives, for example in George Town, it will trigger a development in that area. If we get new generation above a certain threshold connecting into the Central Highlands, that would trigger either load or generation in requirement for network development. All of those projects are listed and we keep a close eye on those triggers. If one of them is initiated, then we start a project and we can begin to develop the industry.

Mr BAYLEY - What point do they need to get to? It's very chicken and egg, isn't it? They're watching you and looking to see whether there's the transmission capacity, whereas you're obviously now watching them to see whether they're investing. How does that come together?

Mr Mc GOLDRICK - It's a very interesting question and I must go back right to the precepts that we have as a regulated entity. We're both jurisdictional planner and regional operator here. We are not allowed to build something to see if people arrive, and charge our customers for the privilege of doing that. We have to have certainty and commitment on a project before we can construct or begin to charge the broader range of our customers for a project. It's very much a case of we allow - we have a range of different mechanisms to make parties who wish to connect to our network aware of our existing capacity, that's the annual planning report.

We also have bilateral meetings the whole time with new proponents who wish to connect. There are a number of those proponents that are progressing projects. There are over 25 in development at the moment. A number of those are not public, they're commercially sensitive, and so we're working with them bilaterally but do not make that public and are required not to. Others are more in the public domain, and as the project matures we are kept briefed and then we will decide when is the appropriate time to initiate.

Mr WESTENBERG - Waddamana to Palmerston, the one that you mentioned, as a part of the ISP as an actionable project, we're required to progress the regulatory investment test for transmission, or the RIT-T as we call it. We are at the process at the moment of producing what they call a project assessment draft report which is due on 26 June. That would be what I would probably call an options analysis. You have a network requirement, how do you go about that? Do you restring existing transmission corridors? Do you build in the same corridor? Do you build a new corridor? What's the high level risk and cost assessment of those?

Mr BAYLEY - Would that be public?

Mr WESTENBERG - Yes, that would be public.

Ms HOPWOOD - Because it's listed as an actionable ISP project, the identified need component of a regulatory investment test, which is the first trigger has been completed and now we move into options assessment. That will be made public and it will go through the initial cost and benefits assessment to enable that.

CHAIR - Do you, as TasNetworks, believe the current regulatory investment test for transmission process is flexible enough for Tasmania's needs? If not, what specific changes or streamlining do you propose to make that more efficient?

Mr Mc GOLDRICK - Sorry, a bit of a wry smile for me, not to get into a diatribe here. I do find the regulatory process here in Australia - not in Tasmania, because we're part of the national electricity rules - pretty restrictive and pretty narrow. The RIT-T as a benefits test is about the narrowest in the world. It's very much focused on direct benefits to transmission and distribution customers and electricity customers. It doesn't take into account the wider impact socially and economically in the jurisdiction. It doesn't. Many other benefits tests would have a much broader approach.

CHAIR - Would you suggest that's -

Mr Mc GOLDRICK - People have been suggesting this for years through our various peak bodies, including myself. We're very active in the Electricity Networks Association, which makes submissions continually on matters such as this.

First of all, I'd have to say that it's better to have a regulatory regime and a set of rules than not to have it. I commended Australia many years ago for developing what is a world class framework. Those rules have a mechanism by which they can be amended and changed. They are occasionally changed after a lot of submissions, but it's hard work to get things changed. In the middle of a significant transformation of the energy system worldwide and in Australia, our existing regulatory arrangements are not as flexible as they could be and we've occasionally run into difficulties. That has given an impetus for change. There have been various changes in the last couple of years that have been good, but we need more and we need just a slightly different framework to accommodate what is a once in two generations reimagining of the network here.

CHAIR - Is this particularly urgent now with the transition from coal-fired generators, et cetera?

Mr Mc GOLDRICK - Yes, that's exactly right.

CHAIR - The AEMC would be the commission that changes the rules?

Mr Mc GOLDRICK - That's correct.

CHAIR - They're well aware of this, obviously? You've said -

Mr Mc GOLDRICK - They are, and we engage with them frequently. Perhaps some more detail -

Ms HOPWOOD - Well, there has been - With the energy transition, there needs to be that balance between project progression and customer impacts, and there has been quite a bit of work that's happened in terms of the regulatory investment test to streamline projects and we talked about one just then, Waddamana-Palmerston. That does make it quicker for investment, but it still takes a while to go through the process. It also needs to balance cost versus customer impacts and make sure it's prudent investment.

CHAIR - And environmental impact, too?

Ms HOPWOOD - And environmental impact. All aspects, yes.

Mr GARLAND - The Shorewell Park community battery. We're building a community battery in my electorate at Shorewell Park with a Commonwealth grant and I've been informed by the Energy Minister, based on information provided by TasNetworks, that only four of the customers connected to that battery have solar panels. Is this correct, do you know?

Mr Mc GOLDRICK - No, we'll get that checked. Could I just say, with respect to community batteries, we have a number across the state. Shorewell is definitely one of them and we have them north, south, east and west, and we're working with ARENA in this regard.

We're really dipping our toe in, both the technology and a way for the community to benefit from improved reliability and lower costs overall. That's our intention.

It's not always to do with the amount of penetration of solar. There's relatively low but increasing penetration of solar, and very low penetration of batteries in our network. We do have an existing capacity to take that in. That will be eroded over time and then a response will be required, including construction of a new network, but also batteries and other communication schemes to maximise it.

I don't know at the moment what our intention is in Shorewell - I don't think it's about absorption of solar. It's more, I think, about improved general reliability for the community.

Ms HOPWOOD - I think that's the case, but I am checking about that number.

Mr GARLAND - Wouldn't it make sense or make good policy for the government to install solar panels on as many of the other connectors' houses as it could in that area to take full advantage of that battery that's there?

Mr Mc GOLDRICK - Look, we definitely see the broad area of community energy or energy at the lower voltage levels, including households, is going to increase over time. There's no doubt about it and we're very positive about that as a utility because I'd much rather have many distributed sources of energy that are connecting than one or two because it's more resilient. I'm very much for that, back to us being a safe and reliable utility. We're very positive with respect to that.

We have one of the highest thresholds for automatic connection of solar panels in the NEM at 10 megawatts. You don't have to go try anything but an administrative process which is quite efficient with TasNetworks -

Mr WESTENBERG - 10 kilowatts.

Mr Mc GOLDRICK - Sorry, kilowatts - 10 kilowatts. 10 megawatts would be a bit high, wouldn't it?

CHAIR - 10 megawatts, that would be quite the system.

Mr Mc GOLDRICK - Yes, sorry. Beg your pardon, 10 kilowatts. Thank you, Michael. But look, we're very much for it.

I won't speak to incentives. I think it's almost making inherent economic sense now for many households to invest. One of the things we have to be careful about, however, is that such households, which at the moment tend to be at the higher end of the socio-economic spectrum, do not pass any cost down through to other consumers. We have to balance that. But, in years to come, we will see increased penetration of both solar and battery to the advantage of the network.

CHAIR - Just on that, it's a straightforward process of getting 10 kW on your roof, but above that, the answer seems to be no.

Mr Mc GOLDRICK - No, it's not, no. We need to study it. It'll take a little bit longer because we have to do an individual study, but there are systems above 10 kilowatts that are connected, for sure.

Mr BAYLEY - Can I ask a question following in on from that, which is relating to on-farm solar and sharing across different meters on a farm? I know you've updated us previously about the trial and how that's going. Could you give us an update on that here and now?

Mr WESTENBERG - Certainly. It's the FarmShare trial that we did provide an update on. That has progressed. Actually, this week we're in the process of making offers to interested farmers who put in applications. They've started and should be finished, I think next week. The trial is still set to start in June, to operate and understand the nuances within the trial. There was a bit of work to do to find the relevant types of farmers that had -

Mr Mc GOLDRICK - We call them NMIs (National Metering Identifiers).

Mr WESTENBERG - Yes - the right amount of NMIs, as we call it, or connection points within an area that we can separately monitor. I believe that everybody that's put an application in should get an offer to participate in the trial.

Mr BAYLEY - Is there a written and published terms of reference to the trial and the like?

Mr WESTENBERG - Yes. There is certainly information on our website about that.

Ms HOPWOOD - In relation to the Shorewell Park community battery. There are 73 customers that will be connected, and you're right that there's four who already have solar, but the battery will enable more solar connections in respect to that.

Ms FINLAY - Going back to transmission. Recently in parliament, there was a letter tabled that outlined the transmission increases for our major industrials over this year and for next year. I'm wondering if you can just round out that information for the Committee on what the increase of the average transmission cost to major industrials was last financial year?

Mr Mc GOLDRICK - I'll have a go and I'm sure my colleagues will keep me honest. If I look at transmission 2024-25 through to 2025-26, total transmission, the annual change is 5.3 per cent. For major industrials - that's 12 major connections that we have - the annual change is 8.4 per cent, and for the top four major industrials it's 7.9 per cent. I would have to say that if you look at -

Ms FINLAY - Sorry, you just said the 2024-25 year; I'm interested in the 2023-24 year.

Mr McGOLDRICK - Okay, what I have is the 2024-25 to 2025-26. We can certainly look that up for you and, if it's available, I'll just give my colleagues a couple of minutes to get that. I will just emphasise that if you look at a 10-year average, total transmission is down 3.8 per cent, major industrials down 3.3 per cent, and the top four major industrials down 3.6 per cent. Over a 10-year average we've actually brought it down, and there have been increases in recent years. Chantal, do you have some more information?

Ms HOPWOOD - Yes. The impact for major industrials from 2022-23 to 2023-24, is that what you're after? That was a decrease of 15 per cent.

Ms FINLAY - And the change between 2023-24 and 2024-25?

Ms HOPWOOD - 8.4 per cent increase.

Ms FINLAY - Is that for the four - for the 12? What category is that?

Ms HOPWOOD - Yes, that's for our major industrials. That's for the 12. Would you like it for the four?

Ms FINLAY - Yes, please.

Ms HOPWOOD - From 2022-23 to 2023-24, it was a decrease of 13.9 per cent.

Ms FINLAY - From 2023-24 to 2024-25 is the year that I'm interested in.

Ms HOPWOOD - Yes. I'll just note that this is real terms, just so you know - real 2024-25 terms. Then, 2023-24 to 2024-25 was an increase of 9.5 per cent.

Ms FINLAY - Thank you. Do you have that in a chart over time?

Mr Mc GOLDRICK - We're happy to provide that.

CHAIR - Can I just ask what modelling you would have done, in particular in light of significant global uncertainty at the moment, about the potential exit of a major industry? Not that we're suggesting it or wanting it, but there's a reality that won't be our decision. What modelling have you done and what impact would that have?

Mr Mc GOLDRICK - The first thing I'd say is that, not just economically but operationally, our major industrial loads are incredibly important for the overall performance of our power system. Therefore, we're very motivated to work directly with them to keep them here in Tasmania, or do as much as we can to keep them here in Tasmania.

There's no doubt that recent turbulence associated with tariffs and uncertainty around tariffs has had an impact on business confidence among our major industrials. We meet with them on a regular basis. We've met with all four of the top four major industrials in recent months. We work with those to make sure that we're doing the very best we can to keep them here in Tasmania. For example, a number of those have concessional arrangements in place where we've given them a discount. Some of those have asked to have those existing arrangements extended, which we're currently considering and working through. Some others have, in recent times, come to us and said: we may need some concessional arrangements, what do we have to do? What information do you need as TasNetworks? We're engaged in discussion with a number of them as well - very detailed discussions. Sometimes it's about concessional rate for electricity, sometimes it's about what they can do to minimise their peak demand, which is an important trigger for cost.

We work bilaterally with each of them to try and keep them in Tasmania because they're important in terms of revenue, to spread costs, to pay our costs, but they're also important in

terms of how I actually discharge my duties as regional operator here. It'd be a much different power system to try and run without particularly the four largest major industrials, who are over 50 per cent of our load.

CHAIR - There's obviously a big picture to look at. If there was a loss of one, even one would be significant, particularly one of the four. Then there's the loss of the revenue from that, but there's also the costs associated with managing the system.

Mr Mc GOLDRICK - Exactly.

CHAIR - Have you done modelling on what that would mean for managing the system, but also the flow through impact of price on other customers?

Mr WESTENBERG - For specific modelling, I'd have to check. It would depend on the particular major industrial, but you're correct, there's two aspects. There's the network perspective, and then there's those costs would need to obviously be considered as flow through to other customers, which would be a concern.

Ms HOPWOOD - It is a key risk that we monitor, and yes, we have done scenario modelling in respect to impacts on other customers.

Mr Mc GOLDRICK - That's why we need further information from them as well.

CHAIR - I can understand why you're taking this matter seriously and discussing this with those customers. If one did leave - and it won't be our decision - the flow-on impact of picking up the cost, by mums and dads and businesses and the other big users, then they may need support from the government, so there's a cost there as well.

Mr Mc GOLDRICK - What we do in our space, separate and apart from what government may do or energy providers may do, we look at the impact that the reduction in that revenue would have and the added costs relative to what we can offer as a discount. There's a set of rules that the Australian Energy Regulator has, and also guidance that our own board has given, with respect to how we would approach that - and it's quite detailed - before we would come back to our board and the AER with a proposal to give a discount of this nature.

There are a number of those discounts in place currently. I expect that if the current level of economic uncertainty continues, we may be in a situation where we will be giving more of those discounts in the coming years.

CHAIR - Have you any idea what impact they may have on your profitability?

Mr Mc GOLDRICK - The first thing we focus on in this regard - as I said, we're a safe utility, we're a reliable utility. We focus on customer affordability. Yes, I have an obligation as a GBE to be profitable and we are profitable and we work hard to be so. But, the guidance that we have from our shareholders in the latest guidance we received is yes, they want profitability, of course, but it's more about that affordability aspect and sustainably low prices for all our consumers is we're our first focus is. But, yes, we have done work and we have done impact analysis.

Mr WESTENBERG - The framework that's put together would assess a number of elements. It wouldn't just assess the financial impact. It would need to consider a number of different elements. That decision would then need to be made in light of the impact on the business from a profitability perspective. As we've said, we would assess the flow-on impacts compared to what it would take if we needed to absorb some of that.

CHAIR - Are you able to share that framework with the Committee?

Mr WESTENBERG - There's certainly the AER framework.

Mr Mc GOLDRICK - We're happy to share the AER framework, for sure.

CHAIR - Just on another area if I might, we understand that the final decision regarding the regulation or not of Basslink is now set for the end of June.

Mr Mc GOLDRICK - Further delayed, we believe.

CHAIR - Further delayed from the end of June?

Ms HOPWOOD - No, end of June.

CHAIR - Yes, that's right -

Mr Mc GOLDRICK - We were supposed to have it by now.

CHAIR - The question I have about that is, for TasNetworks, does that have any impact on you whether or not it's regulated?

Mr Mc GOLDRICK - Again, a complex question. Let me state what our position is. We would very much like to see Basslink, under its new owner, APA, being a regulated link.

CHAIR - So would they.

Mr Mc GOLDRICK - Yes. We're very supportive of that because I believe that is the right thing to do with respect to the future operation of the power system here. We're supportive and we made the submission in support of that.

I do caveat that, by saying that if it was to be regulated, I'd want to make sure that the capital cost associated with that asset is prudent and that any cost increase would be manageable from a Tasmanian point of view. We do have a few caveats on that, but in principle we're very supportive of it. Unfortunately, the assessment has been delayed.

Mr BAYLEY - Capital cost? What do you mean by that?

Ms HOPWOOD - Sunk costs, I think.

Mr WESTENBERG - They're in relation to the cost of Basslink itself.

CHAIR - How much they pay for it.

Ms HOPWOOD - Asset base, I would say.

Mr Mc GOLDRICK - Yes, exactly. What would be in, what we term a rateable asset base.

CHAIR - If the decision of the AER is not to regulate, their draft decision was not very favourable for APA, they were quite disappointed as were members on this side of Bass Strait, not so much the other side if you read their submissions, but if - and I'm interested in you as an operation of regulated assets. If it was to remain unregulated, how - and you've got Marinus Link, potentially a government-owned, government-subsidised link - how could that run alongside an unregulated link and not breach national competition rules, or could it?

Mr Mc GOLDRICK - My first concern would be, they are actually very far away from competition rules issues. It's just our ability to keep both links operating with the sort of visibility that I would need as the regional operator to keep everything stable.

Operating a link of that scale is complex because you have to have arrangements in place on the island should you lose the link to make sure you don't lose the whole power system. The current set of arrangements are complex. They've been operating well, but I think the future certainty associated with a regulated link would make it far easier for us as regional operator to hold the island together from a reliability point of view. If we wind up in the situation where I've one, let's call it a merchant link, and one regulated link, it's all then about us as a regional operator getting the requisite information in the right timeframe to plan around keeping the power system together. That can be complex when we have two different games afoot here.

With respect to competition, I'm not qualified to opine on that, but I'll be interested in any comments my colleagues might choose to make.

Ms HOPWOOD - I think you asked before what the impact would be on TasNetworks if the decision for non-regulation continues. I think I would note that there are quite a few tripping services that are currently in play that we would need to ensure continue or renegotiate. That would be our primary focus.

CHAIR - Okay. That's what you'd have to do. The Treasurer just recently, end of last year, signed a new national competition agreement. Maybe the Minister for Energy will have more insight into that.

Mr Mc GOLDRICK - Yes, unfortunately, I'm not the right individual to - it's not something we consider. It's more the practical aspect of how we keep the island together.

CHAIR - Any questions that anyone else - Vica, did you have something else?

Mr BAYLEY - No, I'm good. Thank you.

CHAIR - No. Actually, I think we're out of time anyway. Just to finish up, is there anything we should have asked and haven't?

Mr Mc GOLDRICK - Look, I'm very happy to provide for today's engagement, a really good broad engagement. We have said that we will provide you some information, so we will

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make sure to provide that, but if at any stage you need us back again, we're very happy to appear in front of the Committee.

CHAIR - We're trying to wrap the inquiry up in broad terms and report, so you have to draw a line in the sand somewhere here, but there may be other gaps in our evidence and we may ask for some more information to help fill those gaps that relevantly fit with TasNetworks. We didn't really get to talk much about the renewable energy zones and the work being done in the north-west there. There may be some questions we will forward on related to any gaps we have, rather than necessarily need to call you back for a hearing.

Mr Mc GOLDRICK - That's fine. We're happy to engage in that fashion as well.

CHAIR - Great. Okay. Thanks for your appearance today, we appreciate your time.

Mr Mc GOLDRICK - Thank you.

The witnesses withdrew.

The Committee suspended at 12.31 p.m.

CHAIR - Returning to the Energy Matters Committee for our public hearing, we're seeking to get an update and perhaps pursue some questions of matters raised by other witnesses over the period of the inquiry. We are hoping to wrap it up and draw a line at some point, because this is a constantly moving feast. The intention of this hearing today is to get some answers from you, Aurora, on matters that have been raised by other witnesses particularly.

I will remind you that everything you say is covered by parliamentary privilege. That may not extend beyond the hearing. It is a public hearing and everything you say is being recorded and broadcast. If you have any questions or if you wanted to share anything in private, you could make that request. Otherwise, it's all public. Do you have any questions?

Mr NIGEL JULIAN CLARK, CHIEF EXECUTIVE OFFICER, **Mr JAMES CHISHOLM**, CHIEF FINANCIAL OFFICER, and **Mr ALISTAIR PAUL BURKE**, CHIEF OPERATING OFFICER, AURORA ENERGY, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

Mr CLARK - Great to be back here again today. I am joined by Alistair, who's our chief operating officer, and James, our chief financial officer. I thank you for being able to have the session, I know it's later in the day, but we actually had our state of the nation today with our Launceston team, so we have just driven back down. We needed time to be able to do that, so thank you for accommodating a later time.

We're pleased to be back here again today to further explain the role and significance that Aurora Energy plays to the Tasmanian community. We are a proudly Tasmanian-based business owned by the people of Tasmania. We are the customer-facing entity that really encapsulates the broader energy supply chain - that is other parts that are pretty much removed from the public. We act to support Tasmanian interests to seek to keep our component of energy prices as low as possible, and seek to look after vulnerable Tasmanians during the energy transition engulfing Tasmania, Australia and the world. Thanks very much.

CHAIR - I might lead off with some of the challenges for Aurora in terms of profitability and service delivery. I note the retail profit margins in the National Electricity Market have fallen from about 8.9 per cent to 2.3 per cent of the average bill between 2017 and 2023. Aurora's regulated retail margin was also deliberately lowered in the 2022 price determination, which you've said previously has reduced your capacity to invest in necessary systems. Do you consider that the current regulator pricing framework and the margins it allows are sufficient to maintain a sustainable business, or does it need to be altered?

Mr CLARK - It is true that a few things in their margins in the broader NEM have come down in recent years. That's certainly on the record. Having said that, in looking at some of those margins on mainland businesses, what we call 'gentailers', where they are the generator and the retailer, are a different proposition because they can price shift within their business. We are a pure retail play.

It is safe to say that, coming out of COVID, Aurora's profitability did reduce from some of the impacts of COVID, and bad debt and the like. On top of that, the 2022 price determination was, we would argue, a reasonably harsh determination in the parameters that it set, particularly with efficiency factors on our cost to serve. They were factors that were probably never going to be able to be met.

Having said that, we've been working very hard on improving the profitability of Aurora. We are on track this year to hit our budget. Our budget this year is slightly more than last year. We believe we've bottomed out and turned a curve. We are going through a price determination at the moment. We are seeking to get what we would call a fair outcome with the regulator. He issued his draft. We issued our response back. We think his draft was probably still a little bit on the tight side, but we'll know within a week or so where the final lands. Within that final determination we believe we have the funds to invest in what needs to be invested in the systems in Aurora, and in our people, and to provide some form of return to the state. We think if we get a fair and balanced outcome in that final determination, then the business is absolutely sustainable in what we're doing.

CHAIR - What are the key investments that you need to make that potentially could be more challenging if the determination is not as favourable as you would like it to be?

Mr CLARK - For us, it is pretty much technology. When you look at Aurora, we don't have any power stations, so effectively in our mandate we are limited to being a retailer. It is primarily computing systems. Possibly in the future if one wanted to embark on things like products where you may help someone fund a battery into their home and they pay it off over a number of years on their bill - that one is more just a cashflow timing implication. It's not so much a profit implication, but obviously having the cash reserves to be a little bit more ambitious in some of those products. Otherwise our main investments are in computing systems.

CHAIR - Which are not cheap, either.

Mr CLARK - No. Things like cyber, and all the things you would have heard many times over. Our upward spend in cyber has increased quite dramatically in the last five years.

CHAIR - That's considered by the regulator - the increased costs in cyber being such a big issue?

Mr CLARK - Yes, we believe he's taken note of what we put forward as the spend that we have in core IT technology. Importantly, this time around, for the first time if his draft determination holds, he is also reflecting some element of regulatory impost that's getting put on us. Sometimes some of the major costs of our systems developments actually come from the AER, where they simply mandate one rule for everybody. One rule doesn't always work when you have an Origin, AGL, making hundreds of millions of dollars and little old Aurora in Tasmania. We try to push back and get some balance in some of those things, but sometimes we have an imposed cost via the AER.

CHAIR - That's how the Bass Strait islands feel when they get state legislation that takes a one-size-fits-all approach.

You did mention returning dividend to the government. We know that the government has a '90 per cent of net profit as dividend' requirement. Do you see that as too high, particularly in the challenges you've just discussed? Should that be reviewed? Is it overly limiting?

Mr CLARK - We've had some discussions at times as to whether 90 per cent is - as a blanket rule, again, it gives no leeway for periods where you may have a profitability hit or the

like. I think we would argue that 90 per cent itself is not necessarily the issue, but there should be some flexibility on years where you need - I won't call it a holiday, but where 50 per cent may be more appropriate. For instance, during COVID, there were some distinct actions that Aurora took that took cash reserves down. As a result, building those cash reserves back up is slower if you're paying 90 per cent.

Having said that, our corporate plan is based on 90 per cent dividend payout, the corporate plan we just submitted recently. We believe that if the price determination and the other things are balanced, that position is okay for us for the next four years.

CHAIR - We've heard previously from you about the number of customers who have bad debt or have been disconnected. Can you give us an update on those figures over the recent period since we last met?

Mr CLARK - Sure. Alistair will be able to cover that.

Mr BURKE - The last time we appeared, we were able to talk to the Committee about some positive improvements we'd seen during the previous financial year, obviously coming off the back of COVID-19; not just in Tasmania but across Australia, energy debt increased significantly. In the previous financial year, we were still seeing in other jurisdictions significant increases in debt.

We put a lot of attention and focus into our programs for supporting customers, contacting customers early in their collection cycle. Through a lot of those initiatives, pleasingly, we're able to see some significant reductions in debt during the last financial year.

Since that time, during this current financial year, a number of those metrics have remained relatively stable from those big reductions in 2023-24. During that financial year, for example, the overall value of residential energy debt, for those having debt greater than 90 days, fell in Tasmania by 30 per cent. We've seen some small increases since that time but it's remained fairly flat. We have approximately 13,000 customers repaying some form of aged debt. That's largely residential. The large percentage of that is in the small bucket of debt less than \$500.

One of the things that we've been actively doing with our YES program, which I know we've spoken to the Committee about in the past and which is quite unique across the National Electricity Market (NEM), is the debt forgiveness framework. That really does seek to target the debt that was accumulated through COVID-19. We know by looking at those numbers and customers' ability to pay back that, if we didn't do something more significant, in some cases, it would take customers up to 10 years to pay off some of that historical debt. We've been targeting that and -

CHAIR - How much has been written off that fits into that category?

Mr BURKE - Since we launched that in about March 2024, it's approximately \$900,000 of customers' debt from hundreds of YES customers. There are some fantastic customer stories that have come out of that program and fantastic feedback. Importantly, it's enabled a lot of customers to have a much greater chance of paying off their debt. That's where a lot of the positivity has come from; customers who suddenly can get the positivity of finishing on the

YES program and clearing debt that's been around for some time. That's made a big impact on some of that aged debt.

CHAIR - For the ones who have had their debts cleared or managed through that process, how do you measure success? It's obviously fairly new. It's not like we have years of data here. I wonder, how will you measure and attract these people to make sure they don't fall back into debt?

Mr BURKE - There are criteria that customers have to meet to become eligible for that assistance - obviously, hitting some of the commitments that they've made over a period of time for repaying some of that debt. That's an important part of the program, I guess, that customers are taking positive steps to manage their own debt and their own consumption. Once we issue that, it's a one-off support measure. It is early days, but what we're starting to track are the customers who then complete the program, particularly the ones who have received that assistance, continue to meet their obligations and essentially finish their program on time under the new payment plan.

CHAIR - What will success look like over time on this?

Mr BURKE - The success will look like our arrears under management on the YES program will come down, particularly the aged debt - the really long-term debt. We're already seeing that the funds under management were continuing to increase year on year. We've seen the funds start to decrease even though we have more customers on the program. That's obviously a key measure of success from a business perspective. The customers finishing the program quicker and in greater numbers is really important, and obviously some of that anecdotal and customer feedback and success stories are really important as well. There are a number of different metrics that we'll be looking at through different lenses.

CHAIR - I assume the data will be reported through your annual report?

Mr CLARK - Yes, we will make mention of that, and we've also been reporting it to the Australian Energy Regulator (AER) and we believe we are probably the only retailer doing this in Australia at the moment, based on the AER feedback.

CHAIR - Did you get positive feedback from them?

Mr CLARK - Positive feedback from them and positive from the point of view of the average debt entering. We were the only state that had average debt falling within the YES program as well. We think all the many efforts that the team are making on debt management are really starting to have some very positive impacts in what is a really hard area.

CHAIR - I've heard stories from individuals where to have that debt removed and be able to actually start with almost a clean slate is empowering and life-changing for them.

Mr CLARK - It is giving light at the end of the tunnel, is the way we describe it. That is someone who has got a 10-year barrier hanging over their head. To get out from under a payment plan, it is a horrible thought, so that's very much where the team's targeted.

Ms FINLAY - Can I just ask a follow-up on that? The \$900,000 of debt forgiveness is fantastic. Can I understand that on an annual basis - what is the current write-off amount

annually at the moment? As I understand it that \$900,000 will have accumulated over time. Say for the last two years, the bad debt write-off, what do you imagine it to be? What are you estimating it to be in the years ahead, annually as a number?

Mr BURKE - I'll hand over to James to talk about some of the numbers. I think one thing we need to clarify, which we've talked about at previous scrutiny and committee hearings, is around the difference between the debt that we provision for and the debt that we actually physically write off. As some members might know, we have been going through a billing system transformation for a number of years. One of the last remaining bits of functionality which we haven't had over the past period is around inactive debt write-off, which is debt relating to customers who are no longer with Aurora. That number is lower than what it would be if we had that functionality in place. It's an important distinction because the write-off amount doesn't necessarily represent the true figure of what we've provisioned for bad debt over that period.

Mr CHISHOLM - When it's working, the provision and the write-off over time will equal each other because you provision it, and then you write it off. In terms of provisioning, probably on average over the last three years, around \$5.6 million is our bad debt expense and expectation. Obviously some of that - we may not write that all off, but I think that's probably a good estimate of what that cost is for Aurora and what we would end up writing off in that sort of ballpark, about that \$5.6 million.

Ms FINLAY - That is per year?

Mr CHISHOLM - Yes.

Mr BURKE - I suggest the important distinction around the debt forgiveness program is that that's writing off active customer debt, which is not something that energy retailers ordinarily do. It's normally customers that have left that they would do that for. That is an important distinction from that program.

Ms FINLAY - That's a great segue into my next question, because that was part of the purpose of understanding the benefits of Aurora and the care and consideration to Tasmanians. What you are doing is fantastic and it's great to hear that that's leading the nation. Do you know, or is it benchmarked, whether Tasmania has a greater percentage of people in hardship than in other private retailers?

Mr BURKE - The reporting across Australia doesn't distinguish between government and private retailers. Obviously, you can work that out based on who it's referencing. In terms of how Aurora compares to other retailers, we have one of, if not currently, the highest percentage of customers in our hardship program. There are other retailers that are quite close to us on that front. We have around 2.6 per cent of our residential customer base on the hardship program, which is slightly above the average of most retailers at our level, which is around 1.4 to 1.8 per cent. I think one of the things that we've done over the last couple of years in particular, which a lot of other retailers don't do, is the proactive steps to get customers onto that program, to get that support. So, if you look at the number of customers or the way that customers have found their way to the YES Program for the last quarter that was reported to the AER, out of about 1255 customers who went on the program, about 98 per cent was through Aurora Energy referring them; either through one of our other contacts, through our debt collection cycle, or one of the other interactions we have with customers on a daily basis.

So, that's a really significant point, that we invest heavily in proactively trying to identify customers and the triggers that customers experience to get them on the program, so that we can support them, that we can tailor their needs and offer them the various different support mechanisms that we have.

CHAIR - Do you think it is well enough known in the community that this is an option?

Mr BURKE - That the YES Program is an option?

CHAIR - Yes, I mean you are saying they are referred by Aurora interactions, but surely I could ring up and self-refer?

Mr BURKE - Yes, absolutely.

CHAIR - Yes. So, I mean if 98 per cent are being referred through interaction with Aurora, do you think there needs to be a bit more of a promotional campaign, I guess, noting the success of it, to help people understand they can do this themselves? They don't have to be tapped on the shoulder and told to come along; you can engage?

Mr CLARK - Yes. Besides the Aurora engagement, through agencies like Salvation Army and Vinnies, and also we work with councils in the community; that is a source of referral. NILS is another source of referral. When Alistair talks about the 98 per cent, I mean that is absolutely from the interactions of the trigger words, where someone says that they might be struggling to pay bills or the like.

I think the point Alistair made is probably the key one to understand. We would have been disappointed if the YES Program numbers hadn't gone up, because about 18 months ago we put in significant new investment into calling and getting to customers early because the whole point with debt is if there is an embarrassment factor or the like and people do not want to have that discussion, it just builds up. So, we were expecting an increase in the Yes Program numbers and we got that and, as I said, that was to be expected because we are now talking to you earlier in a safe way, and trying to bring on that discussion about whether you should be on the program and having those discussions?

CHAIR - Do you think the shame and stigma of having a debt and admitting publicly - or admitting to yourself first and then to someone else - that you're struggling financially and can't pay your power bill, that's a barrier and that's why you're relying on other service providers?

Mr CLARK - It has been, and that's why it's a skill of our people, when they're doing the call, to have the discussion with the person. So we back their skillset, to be able to sort of bridge that discussion, because, otherwise, if we don't make contact with you - and then that embarrassment factor historically means a lot of those people will not contact us, so meanwhile their debt's just building and all you're doing is delaying the problem. So, the proactive action that the team has taken we think has driven -

CHAIR - Obviously done sensitively. Yes.

Mr CLARK - Yes.

Mr BURKE - Yes, and I think the way we look at it as well, it's not purely financial hardship either. There are many different forms of hardship. We know that family domestic violence obviously is an issue that we are very conscious of, and that's just one example, and we look at hardship, and it can be as simple as an event in somebody's life where they need a short-term period of assistance.

So, that goes to Nigel's point around trying to recognise the triggers or the signs, and supporting customers through that. We do promote the YES Program heavily, we do feature it on our social media and other programs, but I think what we found over the journey is that more tailored, direct - like working with our community partners, charities, is more effective to getting to the people that need it, as opposed to a sort of more broad-brush approach to marketing.

Mr BAYLEY - Can I just ask a follow-up from that. Why do you think other retailers aren't valuing that? Why aren't they being as proactive, do you think? Do they not have the same sort of value set or interest in assisting? Is it costly to your business and therefore it's something they're trying to save?

Mr CLARK - I think it does come down to value set, your DNA, and I think we know who we are. We know who we are here to serve and it's not all about the profit motive for us. We do have to make, obviously, a return; but I think it goes to the core of who we are as a business.

Mr BAYLEY - As a public entity?

Mr CLARK - Yes, but also focused on Tasmanians, and purely Tasmanians, and we see that as a really important part of what we play, and when you look at the numbers that we just mentioned, and you can look at our annual reports to see our recent profitability, it's a reasonable - it is a significant commitment that we've made to try to help vulnerable customers. I don't think you will see that in a private-driven, private-entity basis.

CHAIR - You are the retailer of last resort.

Mr CLARK - That as well.

Ms FINLAY - Yes. That really leads to what was going to be my next question. I know previously there were attempts to privatise Aurora, to sell Aurora and that was some time ago, so I'm interested whether you feel that there's a shift or a difference of what would make it more likely to happen now? Actually the most important part of my question is: do you think that the consumers who you're obviously wholeheartedly supporting now by being proactive and investing in supporting Tasmanians, do you think those programs would be at risk if Aurora was sold and privatised?

Mr CLARK - Oh look, it's hard for us to speculate as to if the business were sold and then who the potential owner is. So, I do not know that we can answer that question. All I can say is that the electricity market does have some fairly tough rules on - through the NER, the National Electricity Rules - on how to deal with vulnerable customers. So, I think it's safe to say that any retailer, whether it be Aurora or anyone else, there are those ground rules that you have to abide by in supporting vulnerable customers.

Mr FERGUSON - Thank you very much for your evidence. I appreciate your answers to your questions there, and I just want to just take it one further step, which is to ask you if you could reflect, for the benefit of the Committee, on the compassionate and hardship arrangements for people who are genuinely struggling and the debt repayment option together with a level of debt forgiveness? I think that's tremendous and I have said it on numerous occasions.

Can you, though, elaborate, in a competitive environment for us, what's the situation with individual customers when they have choice of retailer but they may have a large - or even a small debt with Aurora - what is the situation if they would choose to avoid the obligation to pay the bill and go to another retailer? How is it managed, not just with your own business, but your understanding of how it's managed amongst your retail competitors, because I don't think anybody wants to see a scenario where people are able to avoid paying their bill, and other Tasmanians effectively paying it for them, unless there's genuine hardship? I wonder if you'd comment on that for me.

Mr CLARK - I will take the first part, and then potentially Alistair and James may have some parts. Look, having outlined what we do, we are also very mindful that, as Alistair said, we look for certain criteria before we would say, for instance, do debt forgiveness, because it's not a bottomless pit. We do have, obviously, levels that we can afford to do, and it is not about unfairly treating the balance of our customer base. But in the case of bad debt, if you're in a NEM state, like Victoria where I was previously, typically, if you move around between those retailers and you build up debt, eventually, within the rules, they will disconnect you, and you go to another retailer.

You might not even get through the door with another retailer because if they do credit checks and the like upfront, then you do not pass base one. In the case of Tasmania, we are the regulated retailer, so in essence we cannot say no to anybody. So, we have to take all Tasmanians who look for a valid connection, but, obviously, we have customers who will return to us, who have left us, and they try where the grass is greener and then get disconnected three months later and come back to us. We will work with them on a payment program from day one and work through the process.

We do do disconnection as a last resort for non-payment, but our stats show that they are not large in number and it is an absolute last resort, as we have talked about many times in here before. We have all the backstops to try what I'll call 'effective debt management' but at the end of the day, we also are obliged to supply all Tasmanians who seek a connection. That's an important distinction from us to any other retailer in the Tasmanian market. They don't have that obligation; they can choose not to take a customer. I hope that answers the question.

Mr FERGUSON - It does. Thank you very much.

CHAIR - Can I follow that up, Michael? As the regulated retailer, you don't have the option of cherry-picking the more reliable, able people to pay their bills. That's not a requirement of the private operators. I think there are eight retailers in the state. One would assume that they, potentially, knowing that they're not going to have the same risk of customer debt, they can undercut. You said, the grass looks greener over there so I'll just pop over there. Can you undercut them or is there a competition policy and rules around a government-owned business? Can you do that or not?

Mr CLARK - I won't use the word 'undercut', but we can certainly have differentiated products. For instance, we will obviously try to point to the virtues of Aurora. The vast majority of our customers are on the Standing Offer Tariff but then we will do things like our Power Hours service and other things that we would then hope to convince that person that staying with Aurora is better than going with our competitor. We have that every day going on now, where people will look at an offer - call it an undercut - but a percentage off the regulated tariff. We do lose some customers. Having said that, a lot come back, and a lot we retain by having a callback with them. That's just competition in a competitive market. We are set up to be a competitive market in Tasmania, so at the end of the day we have to win on virtues that provide good service. We're here when you need us and all the things that we would hope Tasmanians value in their business, which is Aurora Energy.

CHAIR - Are you looking at more innovative tariffs, perhaps, as another point of difference? What work has been done by Aurora in that space?

Mr CLARK - Yes, absolutely. There are a number of fronts. Obviously, the rollout of technology - we continue to try to work with people to bring to life the fact that the time-of-use tariff may be a better option than a flat-rate tariff without even having to change your usage patterns. That's one aspect.

We're currently working on a tariff that will play to people who have an EV. That's in train with some thinking at the moment. The other one, depending on how elections go and whatever, is if the batteries can become a more affordable option for people, then thinking about how we can work with people with a solar battery combination in the home -

CHAIR - Which is not different to an EV. An EV is just a battery on wheels.

Mr CLARK - Correct. In time - there is the question as to whether the car ultimately becomes a two-way battery and there are mixed views on that, but you're right, that could be in the future. Putting aside the EV, just a combination of the battery in the home with the solar - the key thing that gets missed in a lot of the energy debate going on at the moment is that probably one of the most effective ways to save money for someone is to put the battery with the solar. The solar at the moment comes out in the middle of the day when the market doesn't need it but if someone -

CHAIR - Often, you are not home to use it.

Mr CLARK - can store it and bring it out in the peak on a time-of-use tariff, then they will substantially reduce their energy bills. I think for Australia that has to be one of the focuses: how do we make that more real for the public?

Mr BAYLEY - You talk about in your submission work around integrated distributed models and power-sharing arrangements, virtual power plants, community batteries. Can you give us an update on what more work you're doing in that space and what's progressed since we last met?

Mr CLARK - Yes, on the large battery front we are continuing to work with TasNetworks on potentially being the retail-facing position on - I will call them community batteries - some batteries that they're getting funding to put into Tasmania. I think we would look to do those as is in the trial to prove the concept of how you bring the value of the battery

ultimately to the consumer. It's not straightforward in how community battery logic works between the retailer or distributor and the consumer. Certainly, with TasNetworks we're looking at I think three quite small batteries, looking at playing in that space.

Mr BAYLEY - Just as trials.

Mr CLARK - They would be trials to start with to prove the fact of whether we can bring value to the consumer.

As far as virtual power plants and the logics in the home, it probably goes back to the point I just made - we at the moment see more value in keeping it simple. By that I mean solar battery rather than us coming in and orchestrating, bringing Big Brother into your home and controlling your battery. There's a lot of cost in systems and cyber and the like to do that. At the end of the day, I don't think we're convinced that that will lead to a better value outcome for the consumer than having a straight battery solar play.

Orchestration we tested last year, we did a fair chunk of market research with Tasmanians and no surprise, a lot of people don't want their retailer having reach into their home and into their battery and controlling that process. Some will. There's no doubt there's an element that will, but there's a big element that won't. Also, we think the extra cost of building the systems that will connect into your home may not be justified at the end of the day. It's work in progress, I think is the easiest way to say it.

Mr BAYLEY - What do you see as Aurora's role in that space? Is it in driving it and in sort of creating change, or just participating in the change that's coming anyway?

Mr CLARK - No - well, I think there are multiple parts. One is education for energy literacy - are we being as good as we can in providing information to people, weighing up doing the financial calculations and the like. We've got a fair amount of work going on on a brand platform that we'll release in the not too distant future. Secondly, was the one I mentioned -

CHAIR - What sort of platform?

Mr CLARK - A brand platform that will allow people to source information in a much better way.

Secondly, I do see a role between ourselves and potential partners; how do we bring that ability for someone to get the capital equipment into the home and maybe have some prospect of, rather than having an upfront cost, how do they pay it off over a period of time? I think that is, in my mind, an active role that a retailer can play, but we've just got to obviously bring the right parties together to bring a good commercial deal to the customer.

Mr BAYLEY - You'd like to play an active role in driving those kinds of things?

Mr CLARK - We do. We absolutely see consumer energy resources (CER) as being an active part of Aurora. It's not an active part as you see today. If we're sitting here in 12 months, we'd like to think that will be very different.

Mr BURKE - I think, as Nigel said, the initial focus has really been around the education piece and literacy piece because we know how important that is, particularly across our

different customer segments. For some of our different customer groups in Tasmania it's really important to get that understanding up while we're obviously looking at the different product options as well.

I think what we have is a bit of a unique value proposition - the trust that we have with our customers. We are a trusted Tasmanian brand and I think that puts us in a unique position to be able to support all sorts of customers through the energy transition, but also the options that are best suited for them, whether that be tariffs or new CER products. We feel like we've got a really significant role to play because of the unique relationship we have with Tasmanians.

Mr BAYLEY - You feel like you've got enough products, for want of a better word, to offer them? Are you always refining that and trying to create more options?

Mr CLARK - I think at the moment we're not happy with the amount of products we have. That's why it's a big focus for us internally. We have just done our recent strategic review and this is, as you'd expect, right up there. We're also not forgetting about some of the basics. That's things like communicating to someone just a simple tariff change - that you would have saved x amount of dollars if you had been on a time-of-use versus a flat rate. Some of the dollar amounts involved there would be significantly more than benefits that I've seen from people getting out of community batteries on the mainland. It's not all about solar and batteries. It's also about: we've paid to roll out the smart meter technology in Tasmania; it's about using our aurora+ app and taking advantage of that to educate. That's that proactive - once again, we're reaching out to people and saying, 'Here's what your 12-months history tells us.' It's not just about being reactive; we are trying to be much more proactive, but there's more to go, yes.

Mr GARLAND - Talking about smart meters, will you be able to use smart meters to annually report the amount of electricity generated back into the grid from residential and small business rooftop solar?

Mr BURKE - Yes, we do that at the moment.

Mr CLARK - We would have that data now.

Mr BURKE - Customers with aurora+ who have solar can see what they're exporting in near real-time, essentially - residential small business customers. That's one of the real value propositions of having a smart meter. Linking it up with something like aurora+, the digital platform, customers can see exactly the value they're getting from their solar installations.

Mr GARLAND - Also, the feed-in tariff. In your submission to OTTER's feed-in tariff investigation, you encouraged the regulator to review alternative feed-in tariff structures to encourage customers to use batteries to sell their electricity into the grid at times more convenient for the network. Noting the challenges around Australia to excess solar being exported back into the grid at a time when demand is low, can you talk more about what that looks like in other jurisdictions and what is needed to make it happen here in Tasmania?

Mr CLARK - Yes. In essence, the feed-in tariff from OTTER has recently been reconfirmed to be pretty much staying the same, at around 8.2 cents, I believe. When you start to rack and stack against other states, we still have what you would call a reasonably generous rate. What you've seen fall away in other states - Victoria is probably the best recent example, where they have elements now where they go down to zero cents. In WA it's pretty much two

to three cents outside certain times. The trend in Australia has been down, as you said, because of the influx of solar in the middle of the day causing negative prices in the wholesale market. It's quite bizarre, and it's a place that probably no-one ever contemplated the national market would be, in all honesty, when they designed it.

What's happened? Well, the reason we have just encouraged the regulator to keep an open mind is there are other methodologies used in other states that try to link the value of solar to the time of the day rather than just having a flat-rate tariff. There are pros and cons to that methodology, as opposed to just having a flat-rate methodology like we have now.

Our point was really to say keep an open mind rather than just set and forget for three years. Keep an open mind as to whether there are better methodologies being used in other states that could encourage the drivers that you want to drive into your Tasmanian market. At the moment, the determination will give people the comfort that they will still be getting in the year ahead - it's about 8.2 cents.

Mr GARLAND - What incentives could us politicians do to encourage more uptake in solar and batteries? Is there anything?

Mr CLARK - I think some of the policies being talked about by various governments of how does one help the potentially upfront cost is one obvious way. If you can get the capital cost down to a point where someone can see that the financial break-even makes sense for them, that is certainly one option.

The other one that we feel strongly that governments of all persuasions should consider is back to the vulnerable customers in society. They are the people who could benefit most from having a solar battery installation put in their home. You try to tackle the hardship at the coalface.

CHAIR - They often have to deal with the landlord who won't participate.

Mr CLARK - You have the landlord issues too, but when you think about the energy transition, the most vulnerable in Australian society are the ones who are copping it the most with this solar cross-subsidy, the network costs going up and their pro rata share. They get it on every level. I believe one of the most practical ways in Australia we could help would be to figure out how we bring that impact to social housing or elements who just can't get away from using their 10 megawatts a year and they're paying full rate.

Ms LOVELL - Nigel, I saw earlier this month that there was a lobbyist on the lobbyist register who has listed Aurora Energy as a client. As a GBE, presumably you have fairly direct access to shareholder ministers and to government. What do you need a lobbyist for?

Mr CLARK - At the moment, we were just doing some work on the positioning of - obviously we need to feed into the review that's just been formed on government reform. We basically have just taken on board some advice from a person to just feed into that process. Nothing more than that. It's a couple of months, an opportunity to get some advice.

Ms LOVELL - Advice for Aurora to feed into the review into GBEs?

Mr CLARK - Advice for Aurora feeding into the information on positioning on the government reform process.

Ms LOVELL - The review the government is undertaking?

Mr CLARK - Yes. Typically, this would probably be the first time that we've had such a person help in that regard.

Ms LOVELL - Yes, that's why it caught my attention.

Mr CLARK - It's not a normal thing. In this regard we just thought, to put the best position forward for both sides of the debate and the argument, we thought getting some expert help was appropriate.

Ms LOVELL - Do you know what that's costing Aurora, engaging that service?

Mr CLARK - We'd have a confidentiality clause. A small amount of money would be the easiest way to describe it. It's not a large sum of money.

Ms LOVELL - You didn't feel that Aurora was positioned well enough to be able to engage in that process without engaging someone?

Mr CLARK - Oh, look, we have some brilliant internal people, but we felt that given this is a bit of unusual activity, to get the best-rounded positioning, we thought that assistance was warranted for a couple of months.

Ms LOVELL - It's an important review, certainly. Thank you.

Mr CLARK - That was the basis.

CHAIR - To go to another area, obviously there's a lot of work going on across the country, with the Project Marinus particularly, and Battery of the Nation. I am interested in how Aurora is planning for these developments, and should they proceed? If you do have a role in that, are you feeding into the whole-of-state business case and things like that? What is Aurora doing in that space.

Mr CLARK - Look, it will probably sound a bit bland again because it probably hasn't changed a lot since last time, but yes, we have fed into the whole-of-state business case. We had the opportunity to put our thoughts forward on retail and the future of retail.

As far as being close to the Marinus modelling and that project, obviously it's not in our remit, so we don't get to see that in an active way. Should Marinus proceed ultimately, then if it gets determined as a regulated network cost, then our role purely as a retailer is we will obviously receive the costs of that project and pass those through to the consumers. From a direct impact, that is certainly the direct impact trail for us, from a market point of view. We obviously will keep an eye on it if it does get approved and does get closer, as to what the thinking is on market liquidity.

By having another interconnector into Tasmania, in theory, it should open up more interflows between Victoria and Tasmania, but at the moment, to try to model that and tell what

exactly that would be for us is difficult. We are, as you know, on three-year price paths. We are limited every three years, and what regulatory process we are dealing with from a wholesale point of view. For us to look 10 years ahead is a bit nonsensical, because we don't have a 10-year framework, we have a three-year framework.

CHAIR - Noting that the retail component of the price stack is relatively small compared to the network and wholesale energy parts of the stack, in your engagement in this process - acknowledging it's limited - how have you sought to ensure that consumers will be better off, or will they be better off? You get to pass on the costs, even though they're not your costs entirely. It's a bit like the councils when the Fire Services Levy bill goes out - the council gets the blame, but it's not actually their levy. How are you proposing to deal with this?

Mr CLARK - Firstly, we always just say publicly that any costs of those types of projects should be able to demonstrate a commensurate benefit for the consumers. We would hold that philosophical view that there should be a commensurate benefit.

As far as how can we help deal with it: at the end of the day, as you'd be aware, once it becomes a regulated charge, there is very little we can do about it. It goes into the mix of all the various things that we would do in supporting Tasmanians in the energy price construct, but there's very little we can do once it becomes a regulated asset.

CHAIR - It seems pretty clear from the evidence we've heard that, certainly initially, whether over the long term it changes, but prices will go up. Acknowledging your thin margin at the moment, do you think there's likely to be a greater call for financial assistance for customers?

Mr CLARK - The modelling of power prices in six to 10 years is so difficult. To be honest, you could have six modellers and get six different outcomes. We see a variety of modelling coming through, from the AEC and other things that get publicly released. For us to know whether power prices are going to take a hike at the same time as Marinus drops in, there are so many other factors. Will gas have been further developed on the East Coast? Will the coal-fired power stations still be running and extended further?

CHAIR - Not that far out, I think they'll all be retired. Who knows?

Mr CLARK - There are a million questions, so for us to answer that question as to where's the wholesale price likely to land, it would just be speculation on our part. What's important for Aurora and our protection back into the Tasmanian consumer is that we have a robust mechanism, which we do have today with the Wholesale Contract Regulatory Instrument (WCRI) that gives us the ability to bring price certainty to Tasmanians every 12 months. Certainly, from an Aurora point of view, that would be one of the key things for us.

CHAIR - Any other questions? Craig, did you have one?

Mr GARLAND - Yes, on electric vehicle integration, as electric vehicle adoption grows, how is Aurora preparing for the impacts of EV charging on the grid and on customer demand?

Mr CLARK - As I said earlier, one of the things we're looking at right now is a new product construct that would have a tariff, without giving away too much, but we'll obviously

have a logical tariff linkage for someone who has an EV. Certainly, from a tariff point of view, we will look to work with the consumer.

Regarding the ability of the grid to sustain, TasNetworks would need to answer that question, if you had density build-ups of EVs. We haven't discounted also working with partners on, once again, if there's a way we can be a part of bringing the charging infrastructure into the home. We have some parties that we're having some discussions with, so it may branch, in time, into helping get chargers into the home as well.

CHAIR - With the question regarding power purchase agreements, the suggestion is that, it's anticipated from the evidence we've received that if Marinus Link goes ahead, there'll be a lot more variable renewable energy coming into the state. It's already happening on the mainland and there's some in the state, but with or without it, it appears that will occur. We know that it seems that the power purchase agreements are required at this stage, certainly, to make the business case stack up. Hydro has done them, obviously, but Aurora has also been required by the Minister in the past to take on a power purchase agreement. What do you think the future is here for Aurora? Do you think you have the capacity to do that, and what does it mean for Aurora?

Mr CHISHOLM - As you say, we currently have an offtake arrangement with the Cattle Hill Wind Farm. This is just for the Large-Scale Generation Certificates so a lot of people have offtake for the energy and the renewable certificates. We just have it for the renewable certificates. It currently runs until the end of 2030 which is when the scheme ends.

In terms of new opportunities for us, we've currently just used it for renewable energy certificates. We're not going to have that requirement beyond 2030 so it doesn't make much sense for us from that aspect. In terms of a power purchase agreement offtake for energy, we don't have the ability to firm up renewables. That's something which Hydro is able to do because they have other generation. As a business, that makes more sense for us to just contract directly with Hydro for our wholesale contracts we need in order to manage the risk we have in the spot market.

In saying that, if there were things, we would obviously look at it and take a commercial view on whether it does make sense. The issue for us often with these long-term PPAs is that the regulatory framework works on a short-term price path that looks at forward prices based on the recent history, so we're able to hedge that because we're able to access liquidity and contracts in line with how the regulator sets the prices. If you have a really-long-term PPA, you can have a disconnect where the price you've struck in the PPA is different to what the recent prices are in the contract market, which means -

CHAIR - It can go either way.

Mr CHISOLM - Absolutely, you could be a hero or not.

CHAIR - That's right.

Mr CHISOLM - Usually, obviously, it's a very risky profile. From a commercial point of view, that is assessing returns but also assessing that risk as a business.

CHAIR - The Minister can direct.

Mr CHISOLM - Yes.

CHAIR - You either take them on - and I understand that's how the Cattle Hill one occurred -

Mr CLARK - No, there was no direction from the Minister. We went through a full competitive process for that. We've got a liability that we need to meet for LGCs so we went through a tender process and looked at a number of different projects.

CHAIR - Clearly, when that scheme finishes - I should know this, but I don't - at the moment, what is the future in that space? Has that been finalised yet? Do you know?

Mr CLARK - No, there's still work progressing on what they call the REGO scheme, so that's bouncing around. The other parts that have, obviously, been actively supporting new renewable developments is the CIS - I was going to say 'CSI'; too much on TV - CIS scheme, at the moment that's actively doing rounds of offers on renewable generation and storage, so that is another way.

But also, I think it's worth noting, we haven't got our head in the sand here and that we have, for instance, there's been a recent discussion going on between a major customer who wanted to engage with a wind farm so we put together a combination of that wind farm with a firming price from Hydro Tasmania. What you're finding is when you put those elements together, the price for that large customer was at a price that was prohibitive to where the normal market price would be so we will continue to obviously try to join the dots where we can on bringing this together. Because even though we don't have generation, we can get a firming product from Hydro but at the moment it's just a combination of those costs.

CHAIR - Why wouldn't that customer go direct to Hydro for that?

Mr CLARK - There can be many paths. We are the retailer-facing arm so potentially it starts from that retail -

CHAIR - For some people, it's all one system, even though it's not.

Mr CLARK - Yes. Hydro is not a retailer so they can't retail. We will actively try and still find opportunities of how we could support on-island generation.

CHAIR - We're just about out of time. Are there any other questions? No? Is there anything we should have asked you and we haven't? That is a cheeky question to finish off with.

Mr CLARK - No, that's been a good discovery.

CHAIR - Thank you for your time. I appreciate your appearance again. I believe we don't even have any questions on notice. No. Thanks for your time.

If there are things we find as we're deliberating on what to include in our report and there are gaps, we may write to you to try and fill those gaps but otherwise, we appreciate your appearance today. Thank you.

PUBLIC

WITNESSES - Thank you very much.

The witnesses withdrew.

The Committee adjourned at 4.29 p.m.