TasNetworks
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Mr Nino Ficca
Interim Chief Executive Officer
Australian Energy Market Operator
Via email: forecasting.planning@aemo.com.au

Dear Mr Ficca

RE Draft 2021 Input, Assumptions and Scenarios Report Consultation Feedback

TasNetworks welcomes the Australian Energy Market Operator (**AEMO**) initiative to undertake an additional targeted consultation on the proposed refinements to the scenarios in the Draft 2021 Input, Assumptions and Scenarios Report (**Draft 2021 IASR**).

TasNetworks is the Transmission Network Service Provider, Distribution Network Service Provider and Jurisdictional Planner in Tasmania. TasNetworks is also the proponent for Marinus Link, a new interconnector between Tasmania and Victoria. The focus in all of these roles is to deliver safe, secure and reliable electricity network services to Tasmanian and National Electricity Market (**NEM**) customers at the lowest sustainable prices. TasNetworks therefore supports AEMO's forecasting and planning activities in the development of the 2022 Integrated System Plan (**ISP**).

TasNetworks supports there being only one Central scenario and considers the most appropriate Central scenario to be 2050 Net Zero. We suggest that the proposed Current Trajectory and Slow Growth scenarios be amalgamated, the Rapid Decarbonisation sensitivity be considered as a scenario and the Export Superpower scenario be considered as a sensitivity.

2050 Net Zero as the sole Central scenario

Section 3.2.2 of the Australian Energy Regulator's Cost Benefit Analysis guidelines require AEMO to identify a 'most likely' scenario, for the purposes of clause 5.22.5(e)(3) of the

National Electricity Rules.[1] The Central scenario for the ISP has been created to represent the 'most likely' path of the NEM and reflecting this, in the 2020 ISP, the Central scenario has the highest probability weighting at 20% for net market benefit assessment.[2] The Central scenario is now routinely used by policy makers and industry for future planning and investment purposes and has become an important reference point from which to navigate the inherent complexities of the ongoing energy market transition. TasNetworks considers that the current proposal to convert the proposed Central scenario into two new scenarios will remove this important point of reference and recommends proceeding with a single Central scenario.

TasNetworks suggests that the proposed scenario of 2050 Net Zero is best suited to be the Central scenario. The basis for 2050 Net Zero to be the Central scenario is the strong stakeholder support this scenario received, with all Australian states and territories having a commitment to a net zero target and the more recent emphasis by the Australian Government to reach net zero emissions as soon as possible and preferably by 2050.

Further support for adopting 2050 Net Zero as the Central scenario is found in the activities of trading partners and the corporate sector. Most of Australia's major trading partners have a net zero commitment by 2050. We note the introduction of legislation in the European Parliament that is likely to result in additional costs on products imported into the European Union from countries that do not have a strong decarbonisation commitment.[3] Similar legislation is planned by other Organisation for Economic Co-operation and Development (**OECD**) countries.[4] This legislation is likely to encourage the adoption of net zero emissions targets by corporations and governments to ensure the continuation of trade with some of the world's largest economies. Corporates, driven by the importance of social license for future business sustainability, are embracing emission reduction initiatives, often led by customers and employees. This includes investing in renewable energy, demonstrated by the strong growth in the corporate renewable power purchase agreements.

Inputs and assumptions for the 2050 Net Zero scenario

In addition to adopting a 2050 Net Zero scenario, TasNetworks would encourage multi-sectoral emission modelling outcomes for this scenario to be broadly consistent with other global energy forecasting publications. For instance, the World Energy Outlook 2020 (**WEO 2020**) recognised that to achieve a 2050 Net Zero target in the OECD countries the power sector will be among the first to decarbonise, drawing on a wide range of available technologies, including renewables, carbon capture, utilisation and storage and nuclear. TasNetworks would encorage AEMO to routinely engage with stakeholders as multi-sectoral emission modelling outcomes are developed.

[1] AEMO Draft Inputs, Assumptions and Scenarios Consultation Feedback, slide 13
[2] 2020 ISP Appendix 2. Cost Benefit Analysis.
[3] Carbon Border Adjustment Mechanism as part of the European Green Deal, European parliament
[4] UK considers G-7 bid on green border levies, Bloomberg

Other recommended revisions to scenarios and sensitvities

The International Energy Agency's The Future of Hydrogen report outlined that the targeted and near-term opportunity for the hydrogen industry is maximising the domestic consumption of the commodity and gradually enhancing the infrastructure for large-scale export opportunities.[5] On this basis, TasNetworks recommends AEMO consider treating Rapid Decarbonisation as a scenario. As indicated in the consultation feedback forum, TasNetworks envisions that the Rapid Decarbonisation scenario would include hydrogen production in line with the Sustainable Development Scenario from the WEO 2020.[6]

It would be valuable to test the Export Superpower scenario as a sensitivity, considering that a significant near-term technological breakthrough in production and transportion of the commodity could increase the plausibility of this occurring.

Subject to finalised inputs and assumptions, TasNetworks proposes renaming Rapid Decarbonisation to 'Decarbonising Electricity by 2035' as a more accurate label.

TasNetworks considers that the Current Trajectory and Slow Growth scenarios are similar in construct. As a practical solution, TasNetworks suggests that the two scenarios are amalgamated. We reiterate the comment made in our previous submission on the Draft IASR that a weakness in these scenarios is that the thermal generation fleet's retirement trajectory is primarily determined by the plant's technical life. This assumption is contrary to the recent financial impairments by corporates who own coal fired generators and announcement from various coal fired generators that suggest environmental and economic factors are likely to result in their units retiring before the end of their technical life. The most recent example was Energy Australia's announcement that the Yallourn power station would close in 2028, four years ahead of schedule. TasNetworks welcomes modelling that allows earlier than expected generation retirements if plant becomes uneconomic to operate before the end of a generator's technical life.

Should you have any questions, please contact Chantal Hopwood, Leader Regulation via email on chantal.hopwood@tasnetworks.com.au or by phone 03 6271 6511.

Yours sincerely

Wayne Tucker
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[5] IEA (2019), The Future of Hydrogen, IEA, Paris
[6] 50 and 470 Mtoe of global hydrogen production by 2030 and 2050 respectively.