

31 May 2023

Australian Energy Market Operator
Via email: ISP@aemo.com.au

RE Draft 2023 Transmission Expansion Options Report

TasNetworks welcomes the opportunity to publically contribute to AEMO's consultation on transmission expansion options. TasNetworks is the Tasmanian Transmission Network Service Provider (**TNSP**) and jurisdictional planning body. Our focus is on delivering electricity safely and reliably and to keep our costs and prices as low as we sustainably can. We appreciate AEMO's collaborative approach to developing and refining Tasmanian transmission network expansion options with TasNetworks.

Network expansion options, both for flow paths and renewable energy zones (**REZs**), are a key input into the Integrated System Plan (**ISP**) and in determining the optimal development path. In this context, the draft Transmission Network Expansion Options report identifies a number of options to facilitate Tasmanian REZs.

TasNetworks is acutely aware of cost implications for Tasmanian electricity customers as part of the energy transition. Under the existing regulatory framework¹ development of REZ related transmission would have material cost implications for Tasmanian customers; not only due to the scale of transmission but also due to Tasmania's relatively small customer base.

Many of the expansion options described in the draft Transmission Expansion Options Report could credibly be delivered through alternative pathways that would not have direct cost implications for Tasmanian electricity customers. For instance, radial connections could be delivered as designated network assets and be subject to special access regimes. Importantly, such assets would be paid for by connecting parties and not existing electricity customers.

TasNetworks is concerned with respect to the potential requirement to apply regulatory investment tests for network augmentation options (i.e. should they be identified as actionable ISP projects), especially because alternative models may be more appropriate in the Tasmanian context.

¹ Specifically transmission subject to economic regulation under chapter 6A of the National Electricity Rules.

Further, TasNetworks has identified that the pathway for actionable ISP projects in terms of network expansion options is distinct to that through the revenue determination (contingent project application) pathway:

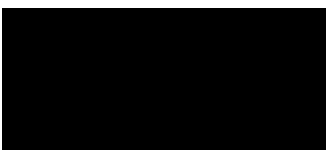
- Under the revenue determination pathway, specific triggers need to be established that would justify an augmentation being delivered. In addition to the regulatory investment test, triggers typically relate to a material change in the market such as the commitment of a significant new load or generation connection, for example as demonstrated for the contingent projects proposed as part of TasNetworks' combined proposal for the 2024-2029 regulatory control period.
- However, under the ISP pathway, there may not be a firm commitment by connecting parties that would trigger the augmentation; rather, the augmentation could be identified as an actionable ISP project primarily through scenario modelling².

A network augmentation under the ISP pathway could ultimately be delivered in advance of connecting parties committing, placing the investment risk on the customer base. Alignment of network expansion options with jurisdictional REZ priorities is one way of mitigating this risk to customers.

TasNetworks considers that the Transmission Expansion Options Report, while focussed on regulatory investments, could improve transparency for stakeholders by including additional information and commentary on asset classifications. This would assist in informing electricity customers with respect to cost implications and indeed prospective connecting parties in terms of commercial opportunities.

TasNetworks looks forward to continuing to engage with AEMO on the treatment and consideration of network expansion options and other key inputs that contribute to the development of the ISP. Please contact [REDACTED] to discuss this submission further.

Yours faithfully



Chantal Hopwood
Head of Regulation

² Noting the ISP methodology is far more complex than this and determining the optimal development, among other things, incorporates extensive opportunity for stakeholder engagement.