

14 July 2022

Ms Anna Collyer
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Dear Ms Collyer

RE Transmission Planning and Investment Review – Stage 2

TasNetworks welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) Transmission Planning and Investment Review – Stage 2 Draft Report (**Draft Report**).

TasNetworks is the Transmission Network Service Provider (**TNSP**), 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 customers at the lowest sustainable prices. TasNetworks is therefore supportive of regulatory change that supports the energy transition while ensuring the best outcome for our customers.

The rapid pace of the energy transition requires a regulatory framework that is flexible and fit for purpose. TasNetworks supports the AEMC's approach of focussing on practical solutions that deliver long term benefits to consumers during the transition to net zero.

TasNetworks supports Energy Networks Australia's (**ENA**) submission and provides the following comments for additional consideration.

Financeability

TasNetworks agrees with the proposal to allow the Australian Energy Regulator (**AER**) to vary the depreciation profile for actionable Integrated System Plan (**ISP**) projects where it would better meet the National Electricity Objective. Given the pipeline of major transmission projects, the revenue setting framework would benefit from more flexibility to address the risk of financeability challenges arising in the future. This is especially relevant for major transmission projects that will have a significant initial capital outlay.

TNSPs would benefit from greater clarity regarding the AER's criteria for varying the depreciation profile. The AEMC may consider, as part of the recommended Rule change, including key principles that the AER should have regard to in making its decision on a TNSP's proposed depreciation profile.

Social licence

In the Draft Report, the AEMC recognises the growing importance of building social licence for the delivery of major transmission projects. This is also acknowledged by the Australian Energy Market Operator (**AEMO**) in their 2022 Integrated System Plan, which states that there needs to be substantially expanded community engagement to build and maintain social licence for transmission investments. TasNetworks agrees and is already taking steps to improve outcomes for communities affected by proposed transmission infrastructure.

TasNetworks considers it would be helpful to provide principles based guidance on how social licence costs will be assessed within the regulatory framework. This could be introduced through changes to the National Electricity Rules similar to the principles for Renewable Energy Zone Design Reports. Alternatively, the AER could develop guidance, similar to the *Better Resets Handbook*, which sets expectations for engagement while empowering TNSPs to maintain flexibility in their approach. This principles-based approach will allow TNSPs to meaningfully engage with landowners and communities with more certainty and confidence on how potential solutions will be treated under the regulatory framework. It is important that any solution results in an assessment process that suitably incorporates the growing costs of gaining community trust and acceptance for major transmission projects.

Engagement should be specific to the relevant communities and will be different for each project. By engaging directly with communities and landowners, TNSPs are able to tailor engagement for each project and stakeholder. For this reason, TasNetworks considers the regulatory framework should support flexibility in gaining social licence.

Cost recovery arrangement for planning activities

TasNetworks does not consider further prescription of planning activities is needed given the current treatment of these costs in the regulatory framework is well defined.

Currently, planning activities can be included and assessed by the AER in a revenue proposal if known at the time of the proposal. Otherwise, planning activities can be recovered in contingent project applications or cost pass throughs if approved by the AER.

Under all these options the efficiency and prudence of costs are appropriately scrutinised by the AER, stakeholders and our customers. Maintaining the current approach will avoid unintended consequences such as increased regulatory costs passed onto consumers through additional regulatory steps.

The AEMO feedback loop

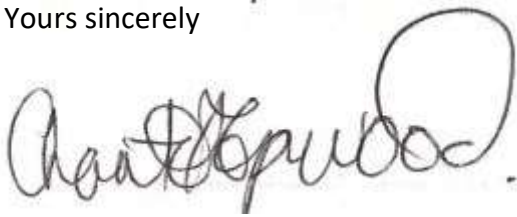
TasNetworks supports the proposed feedback loop exclusion window between the final Inputs, Assumptions and Scenarios Report and the draft ISP with feedback loop requests permitted any other time in the ISP cycle. TasNetworks also supports the AEMC amending the AER's CBA guidelines to provide AEMO with flexibility to consider feedback loop requests within the exclusion window if appropriate.

The proposal to allow concurrent consideration of the feedback loop with the contingent project applications should offset any delay to the regulatory process caused by an exclusion window. However, a timeframe for AEMO consideration of feedback loop requests should be included in the Rule Change. The AER has 40 business days – or 60 business days for complex contingent project applications - to consider contingent project applications. TasNetworks suggests that a similar time period should be placed on AEMO to consider feedback loop requests to prevent delays to major transmission projects.

TasNetworks looks forward to continued collaboration with the AEMC as the Transmission Planning and Investment Review progresses.

Should you have any questions regarding this submission, please contact Chris Noye, Policy and Regulatory Specialist, at Chris.Noye@tasnetworks.com.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Chantal Hopwood'. The signature is written in a cursive style with a large loop at the end.

Chantal Hopwood

Leader Regulation