

Department of State Growth

OFFICE OF ENERGY PLANNING

Office Address

GPO Box 536, Hobart TAS 7001 Australia

Mr John Pierce

Chair

Australian Energy Market Commission

GPO Box 2603

Sydney NSW 2000

Electricity Network Economic Regulatory Framework Review 2020 (EPR0085)

Dear Mr Pierce

The Department of State Growth is pleased to provide feedback on the approach paper for the *Electricity Network Economic Regulatory Framework 2020 Review* (ENERF Review), relating to your request for issues that have not been identified in the paper.

The Post-2025 Market Design and the Integrated System Plan (ISP) processes have highlighted that the need to incentivise infrastructure including interconnectors will be essential to mitigate system security and reliability issues within the National Electricity Market (NEM).

The existing pricing arrangements for inter-regional transmission are flawed and, if they continue to be applied, will result in inequitable and unsatisfactory outcomes for particular projects. While this may not have been a significant issue in the past, it will become more prevalent as the NEM continues to transition with a greater reliance on renewable electricity generation.

Looking at Project Marinus as an example, the existing pricing arrangements would see costs borne by Tasmanian and Victorian customers despite considerable benefits being realised by mainland regions beyond Victoria. The existing arrangements would see Tasmanian customers in particular paying at a level that far exceeds their fair share. There is a strong case for fair pricing arrangements to be developed to ensure the necessary projects (as identified in the ISP as part of the optimal development path) can be built in practice.

Under the direction of COAG Energy Council, the Energy Security Board is leading work to provide advice on a fair cost allocation methodology for inter-regional transmission as part of its work to action the ISP. This work stream should be acknowledged and considered in the ENERF Review.

If you would like any further information, please contact Stewart Sharples, Director, Major Energy Projects on telephone (03) 6165 4817 or (Stewart.Sharples@stategrowth.tas.gov.au).

Yours sincerely



Sean Terry

Executive Director

Office of Energy Planning

30 June 2020