TasNetworks | Powering a Bright Future

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Anna Collyer
Chair
Australian Energy Market Commission
GPO Box 2603
Sydney NSW 2001

Dear Ms Collyer

RE Concessional Finance for Transmission Network Service Providers

TasNetworks welcomes the opportunity to respond to the Australian Energy Market Commission's (**AEMC's**) Consultation Paper on the rule change request from the Minister for Climate Change and Energy, the Hon Chris Bowen MP, regarding the treatment of concessional finance under the National Electricity Rules (**NER**).

TasNetworks is the Transmission Network Service Provider (**TNSP**), Distribution Network Service Provider and Jurisdictional Planner in Tasmania. TasNetworks and its subsidiary Marinus Link Pty Ltd (**MLPL**), are also progressing Project Marinus – the actionable Integrated System Plan project for a new 1,500 megawatt interconnector between Tasmania and Victoria and associated transmission network developments in Tasmania's North West. These developments are necessary to unlock Tasmania's potential as a major renewable energy exporter and decarbonise Australia's electricity grid.

On 19 October 2022, the Australian and Tasmanian Governments signed a letter of intent to jointly fund Project Marinus. As part of this partnership, TasNetworks and MLPL have access to low-cost, concessional finance from the Clean Energy Finance Corporation (**CEFC**) under the Rewiring the Nation plan. This is intended to lower the cost of this infrastructure to customers.

As noted by the AEMC in their Transmission Planning and Investment Review (**TPIR**), the NER does not currently require the benefits of concessional finance to be passed on to customers where the intention of the finance is to lower network charges. TasNetworks is therefore supportive of the intent of the rule change to clarify the treatment of concessional finance in the NER.

TasNetworks supports Energy Network Australia's (**ENA's**) submission and would like to reinforce the following points.

- The mechanism to pass on the benefit of concessional finance to customers will be agreed to by TasNetworks and the CEFC.
- TasNetworks will inform the Australian Energy Regulator (**AER**) of the preferred approach to passing on the intent of the financing. Requiring the AER to separately consult with the CEFC is inefficient and could cause delays.

These points are expanded on below.

Mechanism to pass on benefit

The proposed rule would allow two alternative mechanisms to pass on the benefit of concessional finance to consumers. The AER could either:

- Treat the difference in net present value (**NPV**) between the concessional and benchmark debts as a capital contribution resulting in a corresponding reduction to TasNetworks' regulatory asset base (**RAB**); or
- Determine the annual value of the concessional finance and reduce TasNetworks' full aggregate annual revenue (**MAR**) accordingly.

TasNetworks supports the approach adopted in the rule change proposal that requires TasNetworks and the CEFC to agree on the preferred mechanism to pass on the benefit to customers. The AER would then approve adjusted revenues in line with what has been agreed.

TasNetworks also supports retaining flexibility in the NER to allow a RAB or MAR adjustment depending on the circumstance of the project and intent of the financing. Requiring the AER to only accept one method of adjustment may have unintended consequences that lead to customers not receiving the full intended benefit. The AEMC should be aware that a RAB adjustment may be treated differently to a MAR adjustment in a TNSP's post tax revenue model and therefore any adjustment to these values could lead to inconsistencies in other revenue building blocks and asset classes.

Furthermore, the AEMC may consider the appropriateness of a true-up mechanism to account for any windfall gains/losses to networks or customers as a result of differences in actual and forecast annual benefits. TasNetworks considers concessional finance should be treated in a manner that ensures customers receive the full intended benefit, no more and no less.

Responsibility for information provision

Under the rule change proposal, TasNetworks will be required to inform the AER of the intent of the concessional finance and preferred revenue adjustment mechanism for passing on the benefit to customers. TasNetworks will confirm these elements of the financing agreement with the CEFC prior to providing this information to the AER.

The AER should therefore not be required to consult separately with the CEFC to confirm the intent of the Rewiring the Nation funding as proposed under the rule change. The AER already has the power to certify the accuracy of information provided by TasNetworks as part of our regulatory obligations. This includes engaging with stakeholders and accepting submissions from interested parties as part of contingent project applications and revenue proposals. Therefore, requiring the AER to consult separately with the CEFC is inefficient and inconsistent with the treatment of similar information provided by TNSPs under the NER and in good faith.

Should you have any questions with respect to this submission, please contact Chris Noye, Leader Regulation at chris.noye@tasnetworks.com.au.

Yours sincerely

[redacted]

Chantal Hopwood

Head of Regulation