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 Sharing concessional finance benefits with consumers

TasNetworks welcomes the opportunity to respond to the Australian Energy Market Commissions (**AEMC's**) consultation on the draft rule change determination on 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 Marinus Link Pty Ltd (**MLPL**), are 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 has 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 raise the following points.

- The value of the benefit realised by customers will likely be different to that forecast by the TNSP and CEFC as part of the funding agreement.
- Concessional financing arrangements are unlikely to be finalised until after revenue has been approved.

These points are expanded on below.

Forecast vs Actual Concessional Finance Benefits

In the Draft Determination, the AEMC claims that a true up is not required as the mechanism to pass on the benefit as agreed to between the TNSP and government financing body. TasNetworks disagrees with the AEMC's position that a 'true-up' mechanism is not required because concessional finance benefits accruing over the life of an asset cannot be accurately forecast upfront.

The actual benefits customers should receive from concessional finance is the difference between the benchmark rate of return calculated by the AER using its rate of return instrument and the concessional finance rates agreed between the government financing body and TNSP. The metrics used to calculate the rate of return change over time and cannot be forecast in the concessional financing funding agreement. This means that customers will not receive the actual benefits associated with the concessional finance.

TasNetworks is not aware of an existing mechanism under the NER or the draft rule that would allow a TNSP to adjust annual revenues to account for differences in forecast and actual benefits. TasNetworks encourages the AEMC to work with the AER to develop a suitable mechanism to address this issue.

Timing

Concessional financing has been announced for several projects across the National Electricity Market (**NEM**). TasNetworks expects that, for the majority of projects, a financing body would expect the TNSP to have expenditure and revenue approved by the AER prior to finalising a funding agreement.

In practice, this means that the Contingent Project Application (**CPA**) and the AER's contingent project determination may exclude the benefits of concessional financing. The TNSP will then finalise the funding agreement soon after the contingent project determination and seek a further revenue adjustment from the AER to pass through benefits of concessional finance. TasNetworks notes that customers and stakeholders will likely expect benefits to be reflected in approved expenditure and passed on immediately. However, depending on timing, it is possible that the benefits of concessional financing will not be included in electricity bills at the time revenue recovery commences.

TasNetworks suggests the AEMC consider whether the draft rule can be implemented in a manner that facilitates concessional financing arrangements being reflected in a CPA or revenue determination.

If you would like to discuss any aspect of this submission, please contact Chris Noye, Leader Regulation at Chris.Noye@tasnetworks.com.au.

Yours sincerely

[redacted]

Chantal Hopwood

Head of Regulation