

25 July 2024

Joe Dimasi
Regulator
Office of the Tasmanian Economic Regulator
GPO Box 770
Hobart
Tasmania 7001

Dear Mr Dimasi

Re: Review of the approach to regulating retail electricity prices

The Office of the Tasmanian Economic Regulator (**OTTER**) published a “Review of the Approach to Regulating Retail Electricity Prices” in July 2024. TasNetworks welcomes the opportunity to comment on these proposed changes, specifically section 4.4 – the treatment of costs relating to Basslink.

TasNetworks is the Transmission Network Service Provider (**TNSP**) and Distribution Network Service Provider (**DNSP**) for the Tasmanian Region. TasNetworks is subject to economic regulation under the National Electricity Rules (**NER**) and prices are prepared in accordance with Chapters 6¹ and 6A² of the NER, the Australian Energy Regulator’s (**AER**) Pricing Methodology Guidelines, and TasNetworks’ Transmission Pricing Methodology³.

TasNetworks is currently the sole TNSP in Tasmania and is therefore the sole provider of prescribed transmission services within Tasmania. However, if other TNSPs enter the Tasmania region, for example regulated interconnectors such as Basslink, TasNetworks will likely be appointed and take on the role of Coordinating Network Service Provider (**CNSP**) for Tasmania.

As the CNSP, TasNetworks would effectively become the charging conduit for revenue to be recovered from the Tasmanian region for the use of Basslink⁴. This role is in addition to recovery of revenue associated with the provision of transmission and distribution services within Tasmania. The discussion paper questions the treatment and collection method of Basslink’s revenue.

The NER states that each TNSP must determine their aggregated annual revenue requirement (**AARR**) for its own transmission system assets which are used to provide prescribed transmission services within each region (Clause 6A.29.1(b)).

¹ Chapter 6, Part I for Distribution Pricing Rules

² Chapter 6A, Part J for Prescribed Transmission Services – Regulation of Pricing

³ [TasNetworks Transmission Pricing Methodology 2024-2029](#), as approved by the AER.

⁴ Refer to section 4.1.2 of TasNetworks’ Transmission Pricing Methodology 2024-2029

It is the responsibility of the CNSP to use the total AARR of all TNSPs providing prescribed transmission services within a region, which is likely to include Basslink, and to allocate all relevant AARR within the region in accordance with the CNSPs pricing methodology⁵.

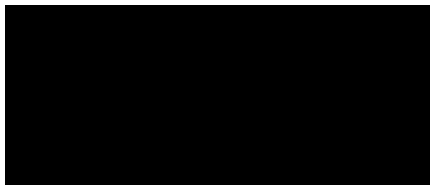
If Basslink becomes a regulated interconnector, TasNetworks will need to apply the transmission pricing rules and recover all the AARR for the use of the transmission assets used to provide prescribed transmission services within Tasmania, including Tasmania's portion of Basslink's regulated revenue.

Approximately 60 per cent of these transmission charges, which are combined to include all TNSPs in the region, are then recovered from Tasmania's distribution customers for use of the transmission network. This revenue is added to the revenue to be recovered from the use of the distribution network and is embedded within TasNetworks' network tariffs. The methodology to calculate the standing charge will need to include the total network charge that TasNetworks, as the CNSP, will pass onto retailers, which will include the relevant Basslink proportion. TasNetworks will not be separating Basslink's proportion through their calculation or charging methodologies.

TasNetworks' pricing strategy is to provide network tariff options that best meet the needs of our customers and reduce long term network expenditure. This includes the progressive unwinding of some long-standing cross-subsidies and to develop new network tariffs that responds to new technologies and incentivise customers to shift their energy usage outside of peak times. The discussion paper provides a summary of Aurora Energy's tariff strategy, including their approach to tariff rebalancing and the grandfathering of flat rate tariffs. The discussion paper has raised whether mechanisms need to be introduced to reduce customer impacts, for example, limits on the magnitude of the side constraints. It is TasNetworks' view that side constraints may be too restrictive in an environment where significant changes are expected in the coming years, we note that there may need to be some flexibility to pass through network tariffs to retailers, while still taking into consideration customer impacts.

Should you have any questions or wish to discuss further, please contact Chantal Hopwood, Head of Regulation at [REDACTED]

Yours sincerely,



Michael Westenberg
Executive Finance and Regulation

⁵ NER Clause 6A.29.1(a)(1), 6A.29.1(c), 6A.29.1(d)