

24 March 2025

Mr Joe Dimasi  
The Tasmanian Economic Regulator  
Office of the Tasmanian Economic Regulator

By email: [office@economicregulator.tas.gov.au](mailto:office@economicregulator.tas.gov.au)

Dear Mr Dimasi

## Re: TasNetworks – Submission to OTTER Standing Offer Investigation and Determination Draft Report and Determination

TasNetworks welcomes the opportunity to provide a submission to the Office of the Tasmanian Economic Regulator (OTTER) Draft Report, Draft Determination and Draft Price Approval Guideline for the 2025 Standing Offer Investigation and Determination.

TasNetworks is the Transmission Network Service Provider (TNSP) and Distribution Network Service Provider (DNSP) in Tasmania. If the Australian Energy Regulator (AER) decides to regulate Basslink, TasNetworks will likely be appointed as the Coordinating Network Service Provider (CNSP) for Tasmania. This means that, under the National Electricity Rules (NER), TasNetworks would be required to recover revenue from Tasmanian customers for the use of Basslink<sup>1</sup>.

The network cost component of Aurora Energy's Notional Maximum Revenue (NMR) is determined by multiplying the applicable TasNetworks' network tariff by forecast billing days and customer load for each retail tariff and then summing the resultant values. TasNetworks' current tariffs were approved by the AER in our 2024-2029 Regulatory Determination.<sup>2</sup>

TasNetworks supports most aspects of the Draft Determination. This submission focuses on two aspects of the Standing Offer Investigation and Determination:

1. the proposed treatment of the costs associated with the transmission services provided by Basslink, in the event that the interconnector becomes a regulated provider of transmission services; and
2. The proposed tariff strategy.

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<sup>1</sup> Refer to section 4.1.2 of [TasNetworks' Transmission Pricing Methodology 2024-2029](#)

<sup>2</sup> [TasNetworks – Revised Proposal - Tariff Structure Statement – Nov 2023](#)

## Basslink

TasNetworks acknowledges that customers are concerned about possible increases in their power prices that might flow from the regulation of Basslink. The AER is currently considering if it is in the long-term interests of customers for Basslink to be converted from a market network service to a regulated transmission service. As part of its decision to regulate (or not), the AER will consider the costs and benefits to electricity customers. It will only make a decision to regulate Basslink if the benefits to customers exceed the cost.

The quantification of the costs and benefits of regulating Basslink is difficult. However, as the independent national energy regulator the AER is well placed to undertake this analysis and TasNetworks expects that customer outcomes, including price impacts of conversion to a regulated interconnector will be key considerations.

Currently, Basslink's costs are not transparent but are effectively borne by Tasmanian customers through the wholesale energy price. If Basslink is regulated, the cost allocation between Victoria and Tasmania will be set through the AER revenue determination process<sup>3</sup> and Victorian customers are likely to contribute towards the cost of Basslink in a manner that is consistent with the benefits they derive from the interconnector. Again, the decision about cost allocation is complicated but is one that the AER is best placed to make taking into account the use and beneficiaries of Basslink.

While small customers may see any increase in network costs if Basslink becomes regulated, we would expect that there would be a decrease in the Basslink costs that are passed through to Tasmanian customers in aggregate. This would be reflected in a reduction of the wholesale electricity cost component of Aurora Energy's NMR. If Basslink is regulated, there should be transparency around the amount of these costs, how they will be recovered and what this means for Tasmanian customers.

### Interconnector network cost component

The Draft Report and Determination adds a separate interconnector network cost component to the NMR formula that, in the event that the AER's final decision is to regulate Basslink, may be used to make a negative adjustment to the NMR. A negative adjustment may be made if the Tasmanian Economic Regulator (**the Regulator**) considers that any proportion of Basslink costs to be passed through to customers is not reasonable.

TNSPs are subject to economic regulation under the NER. The maximum revenue a TNSP can recover is approved by the AER during a regulatory determination process<sup>4</sup>. This process is focussed on ensuring that customers only pay for network costs that are in their long-term interests. TNSPs Transmission Pricing Methodologies<sup>5</sup> are also set through this revenue determination process.

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<sup>3</sup> Following the Australian Energy Market Commission's [Providing flexibility in the allocation of interconnector costs](#) rule change that commences on 3 July 2025, there is also option of the costs being allocated by Ministerial agreement.

<sup>4</sup> This process sets the maximum allowed revenue for the five-year regulatory period and the Aggregate Annual Revenue Requirement which forms the basis for the amount that TasNetworks will recover on behalf of Basslink is a portion of MAR as defined by clause 6A.22.1 of the NER.

<sup>5</sup> [TasNetworks Transmission Pricing Methodology 2024-2029](#), as approved by the AER.

If regulated, Basslink is entitled to seek recovery of the full amount of the annual revenue allowances approved by the AER and allocated to Tasmanian customers. Similarly, as the CNSP for Tasmania, TasNetworks would be bound under the CNSP framework in the NER to recover Basslink's Aggregate Annual Revenue Requirement<sup>6</sup> from Tasmanian customers on Basslink's behalf.

In TasNetworks' view, the addition of a separate interconnector network cost component to Aurora Energy's NMR formula is unnecessary given the protections provided by the NER and AER scrutiny through the revenue determination process. TasNetworks also requests clarity on how any proposed regulated interconnector costs would be recouped to ensure no inequitable outcomes for other customers, retailers or the electricity supply industry.

If OTTER maintains the approach set out in the Draft Report, there should be a high barrier to applying a negative adjustment. Further information / guidance should be provided in the Final Report to clarify when and how the adjustment will be applied.

## Tariff Strategy

The draft report states that the Regulator intends requiring Aurora Energy to offer a regulated flat rate tariff to all small customers in accordance with the Australian Energy Market Commission's final determination on the *Accelerating smart meter deployment rule change*. We note that from 1 July 2024, all of TasNetworks' flat rate network tariffs<sup>7</sup> have been made obsolete. This means they are only available to customers currently assigned to these tariffs and they are not available to new customers. This will create a mismatch for Aurora Energy if a new customer chooses the standing offer flat rate tariff, but Aurora Energy is charged TasNetworks' default tariff.

TasNetworks recognises that customers often express a preference for tariff choice. Aurora Energy should consider tariffs that support the integration and further uptake of consumer energy resources, such as TasNetworks' opt-in Consumer Energy Resources tariff. TasNetworks will also continue to engage with customers and other stakeholders, including retailers and regulators, on our future tariff offerings.

Should you have any questions or wish to discuss further, please contact Chris Noye, Leader Regulation at [Chris.Noye@tasnetworks.com.au](mailto:Chris.Noye@tasnetworks.com.au).

Yours sincerely,



Sandra Thaow  
Head of Regulation

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<sup>6</sup> NER clause 6A.29.1(a)(1), 6A.29.1(c), 6A.29.1(d)

<sup>7</sup> TAS31 – residential general light and power, TAS22 – small business general light and power and TAS41 – uncontrolled energy heating and hot water