



PARLIAMENT OF TASMANIA

TRANSCRIPT

LEGISLATIVE COUNCIL

GOVERNMENT BUSINESSES SCRUTINY COMMITTEE A

TasNetworks Pty Ltd

Monday 24 November 2025

MEMBERS

Hon Ruth Forrest MLC (Chair)
Hon Sarah Lovell MLC (Deputy Chair)
Hon Dean Harriss MLC
Hon Cassy O'Connor MLC; and
Hon Bec Thomas MLC

OTHER PARTICIPATING MEMBERS

WITNESSES IN ATTENDANCE

Hon Nick Duigan MLC, Minister for Energy and Renewables

Tasmanian Networks Pty Ltd

Seán McGoldrick

CEO, Tasmanian Networks Pty Ltd

Roger Gill

Chair, Tasmanian Networks Pty Ltd

Chantal Hopwood

Executive Governance

Michael Westerberg

Executive Finance and Regulation

Renee Anderson

Executive People and Stakeholder

PUBLIC

TasNetworks

CHAIR - Thanks, minister, for your reappearance in your responsibilities for TasNetworks with our government business scrutiny. If you'd like to introduce all the people at the table. Then I invite you to make an opening statement should you wish, and if the chair wants to as well, I will allow that. Then we will go to questions.

Mr DUIGAN - Thank you very much, appreciate that. From your right to my left, we have Chantal Hopwood, Executive Governance, and Michael Westenberg, Exec Finance and Regulation, and my Chief of Staff, Amanda Lovell. To my right, we have Roger Gill, Chairman of the Board, Dr Seán McGoldrick, the CEO, and at the end, Renée Anderson, Exec People and Stakeholder.

Again, good to be back and to continue to talk energy following on from Hydro to talk about our transmission and delivery sector owned and managed by TasNetworks. I thank the board and the executive and employees of TasNetworks for the work that they do day in, day out so that Tasmanians can be confident that they will have the power they need and when they need it.

This has been no more obvious than this past year, responding to a storm event having an unprecedented impact on the network. An enormous effort went into getting the network repaired and household power back online. It's worth noting a couple of those key figures; 47,000 customers lost power during the highest peak of outages and overall 200,000 connections were restored. We also thank first responders and their tireless efforts through the time, including TasNetwork staff working round the clock to reconnect Tasmanians' power. With another storm again in October this year, I am sure TasNetworks will be able to outline today what has been done to implement the learnings of its response and recovery approach.

With Project Marinus now proceeding to construction, TasNetworks has a significant role in Tasmania's energy future. In particular, the North West Transmission Developments (NWTD) are of strategic importance to Tasmania's energy future as a contingent project to Marinus Link. The North West Transmission Developments will complement Marinus Link by enabling electricity from existing and new renewable generation projects in the state to be transferred to energy users and the board of TasNetworks is responsible for overseeing delivery of the NWTD. There will be strong reporting and assurance obligations to keep government informed. I'm working closely with the board of TasNetworks to ensure that strong governance.

Members would have seen funding of \$191 million included in the 2025-26 Budget for the government's expected equity contribution towards stage one of the NWTD. This project will be funded by an estimated 84 per cent concessional debt from the Clean Energy Finance Corporation, with those benefits passed on to consumers and negotiation during the final stages of the bid for Project Marinus has seen a commitment of \$346 million to TasNetworks from the Australian Government, further lowering transmission cost to customers.

We've also committed to ensuring direct transmission connected customers, including major industrials, will not bear higher transmission costs from Project Marinus. As our energy generation increases to support our growing economy, our network will also need to expand to move more electricity from generators to customers. Project Marinus and its on-island

PUBLIC

transmission upgrades will fall in the backbone of our energy future and there are, of course, economic benefits and many, many jobs entailed with that.

I would now pass to the chair to make some opening statements.

Mr GILL - Thank you, minister, and it's a very great pleasure to be back in front of this committee again this year. We are, of course, very pleased to be the ones that operate the distribution and transmission business in Tasmania. Critically, we understand that we operate that business to serve Tasmanians and we think, in 2025, we believe we're giving Tasmanians the support they need in these challenging times.

Particularly, we are giving them more say to how we operate this business. We have set up a new customer advisory group and a stakeholder advisory group, in which I personally participated. These groups have independent leaders, and they convene to give us direct feedback; feedback we can get directly to the board as to what we think the customer's expectations and needs are. As ever, affordability is the biggest concern of our customers, especially amid the inflationary pressures that we've seen over recent years. We understand that 40 per cent of our costs go straight through to a typical residential, small customer's power bill.

We've had a good record in the past of reducing our network charges. But, in recent times, inflation has been part of our environment, in particular, rising costs for insurance for storm, bushfire damage, cybersecurity costs, in particular increasing interest rates and these are all currently weighing on power costs for our customers. We're working very hard to efficiently deliver what customers need and want, and not what they don't want, while we at the same time prepare for a very changing energy future as the country transitions away from coal.

In operating a business, nothing is more important than safety. You see a lot of ads on the television for safety. We take safety very, very seriously in this business. I'm pleased that over the time I've been director and recently chair of TasNetworks, we've significantly improved both the safety results and the way that we attach safety. I think if you talk to contractors around the state, they would see TasNetworks electrical capabilities as lifting the bar for the way we expect people to handle electrical safety on this island.

We had some unprecedented storms, as the minister said, back in August and September last year. We're interested in telling you a bit more during this session about how we've learned from that event. We had a storm some months ago that disrupted some 20,000 Tasmanian customers. We restored that power to the vast majority quite quickly. We had everyone back within a couple of days, which we think was an outstanding effort from our people.

No incident response is perfect, but we think the improvements that we took from the government's Edward's Network Outage Review, as well as our own incident review of the outage last year were in strong display in October. In particular, customer communications, restoration time was much better than the year before. In fact, we surveyed a number of customers after that recent event and we got much better feedback from our customers in the way that we performed, particularly the communications that we have with them about how long it's going to be out, and when it's going to be restored. We think we're making progress on that.

PUBLIC

As you know, we're going to be starting to build the North West Transmission Developments early next year. This is part of the statement of expectations that the government has set for our business. It's our role to get that done on time and on budget. We know it's a project that underpins the Marinus Link and this is going to be an important project, and we will no doubt talk about that development as we go along.

In 2024-25, we continued our focus on customers and network reliability. Our satisfaction rating nudged up to about 7.5 out of 10, which wasn't quite where we wanted it to be in 2024-25. I'm pleased to say that we're improving as the 2025-26 financial year unfolds. We're certainly investing solidly in our network, and I know that we will be talking about that during the session.

We're investing in new technology. We're investing in improving the existing assets and, from our point of view, we believe we're running a sustainable operation, and we look forward to talking about that with you.

The reason we return year-on-year with such a large team on our side is to make sure that we can answer the questions that you have in detail, so you will see us perhaps move them along the chain to make sure that you are comfortable that you're getting what you need from us. Thank you, minister.

CHAIR - Thanks, minister. We will come to the storms later. I'd like to start with the workforce matters, so I will go to Sarah first. I want to come in after you've done this bit on workforce stuff.

Ms LOVELL - Thank you, Chair. Minister, as we talked about last week in Estimates hearings as well - so those questions are really probably more for the chair - TasNetworks was the primary focus of the Auditor-General's commentary on termination payments for key management personnel. Your annual report shows a payout of \$843,723 to Mr Burridge and him finishing on 1 July - the first day of the financial year. I understand from page 129 there's a bit of a breakdown there. So, accrued annual long service leave entitlements of \$132,807; a lump sum payment of \$75,164 and a termination payment in accordance with the terms of his contract of \$635,752.

Two questions to start. One, the lump sum payment of \$75,164. What was that for?

Mr GILL - Perhaps a bit of reference to these large payouts. I'm unfortunately long enough involved in the Tasmanian Power Scheme to realise that back in the pre-2000 era when the hydroelectric division was disaggregated, there was a number of ongoing contractual arrangements that we would describe today as legacy arrangements that have continued right through until today. These two are part of that. We're seeing these things now being extinguished in our business. They no longer continue on.

What I might do is pass to our Executive People and Stakeholders so that she can give a very specific answer in relation to those. Unless Seán you would like to make a comment in beforehand.

Dr McGOLDRICK - I will pass to Renée.

PUBLIC

Ms ANDERSON - Sure. In terms of the split up of the payment for Mr Burridge, essentially it was comprised of part of his notice payment, and also a redundancy payment.

Ms LOVELL - Which part was which and how? What's the breakdown of that?

Ms ANDERSON - I believe the 75 was related to notice, but I'm just getting a confirmation on that. The larger number was related to his redundancy entitlement.

Ms LOVELL - Are they contract arrangements in his contract from many years ago?

Ms ANDERSON - Yes. When TasNetworks was formed, there was a number of people who transferred across from either Hydro or some of the predecessor energy businesses, and these are people who had 40-plus years' service in the industry. They had preserved entitlements when they came to TasNetworks, which were, as I said, preserved in their contract. When an employee like Mr Burridge was made redundant, that was the obligation on us in terms of his redundancy payment. It is worth noting that we don't have any of those legacy entitlements left.

Ms LOVELL - That was my next question, are there any of them left? Okay. And so, it was \$75,000 was the notice period.

Ms ANDERSON - I'm just getting that confirmed.

Ms LOVELL - Do you know how many weeks that was?

Ms ANDERSON - I'm just getting that confirmed. I think its 12 but I am getting that specific bit of detail.

Dr McGOLDRICK - Thirteen.

Ms ANDERSON - Thirteen, thank you.

Ms LOVELL - Then the redundancy payment was based on a number of weeks for years of service. I'm assuming you know what that was?

Ms ANDERSON - Yes, I think it was about 90. That was accrued over the 40 years. It accrued, accrued and then it was, I guess, frozen and capped when they joined TasNetworks. It didn't go any higher once they joined us, but we were obligated.

CHAIR - Why was he paid the redundancy if his position was replaced?

Dr McGOLDRICK - I could take that one first of all. When I initially joined as Chief Executive, I had eight direct reports, eight executives reporting to me. I determined to rearrange the business and reduce the number of executives. We reconfigured the business. We don't make people redundant; we make roles redundant. So, the roles were changed, and I now have five executives reporting to me. That's reduced the number and Mr Burridge's exit after 40 years of incredible service was as a result of that.

The business case is such that, as you know, a smaller number of executives gives better value and the business case, you know, in a couple of years that pays back. So we reconfigured

PUBLIC

business. His role was redundant, and we have now only five executives reporting to me as chief executive.

CHAIR - What was his actual role that was made redundant?

Dr McGOLDRICK - We took different parts of roles, and we put them together into different executive portfolios so that each executive had a wider portfolio. Rather than having eight doing rather narrow things, we put people together.

For example, Renée is executive not just of people, but also stakeholder. Michael is an executive not just of finance, but also regulation and supply chain. There was a number of different roles that were changed.

CHAIR - Did Mr Burridge hold one of those five positions after the restructure, or did he leave at that point?

Dr McGOLDRICK - He'd left at that point.

CHAIR - Sorry, Sarah.

Ms LOVELL - That's okay. There are no more legacy contracts with entitlements to that level any longer?

Mr GILL - I think this is a really important point. Those entitlements are contractual arrangements. We're obligated to pay them. We recognise that they are large numbers. However, when you're here for 40 years, that's where it gets to. Going forward, clearly we need to make sure that the terms and conditions that we have going forward are more contemporary and that's where we stand with the contracts going forward. The people sitting at this table do not have those entitlements.

Ms THOMAS - Can I follow on from that particular point? Thank you. You've mentioned the role was made redundant, but you don't have any of those legacy contracts left. If the role had not been made redundant, if the employee had retired, would that same payout provision have applied in the contract? It sounds to me that there's contractual provisions, but then there's also redundancies which are two different things, so -

Mr GILL - Well, the redundancy arrangements are within the contractual arrangements that were continued on, otherwise people could have - for example, during the various transformations we've had here over the last, let's say, 30 years said 'Well, I'm not going to continue on working. I will take a redundancy early'. Whereas actually having the benefit of some of these people right through the last 30 years has been very beneficial to operating the Tasmanian power system.

Ms THOMAS - So had he just retired, would that same payout have been provided?

Dr McGOLDRICK - I could say, through the minister, that we don't have a mandatory retirement age in TasNetworks - I think I'm correct in saying. It's a matter again, not on focusing on individuals, but on the structure and the roles. You have a certain time when you need to change your business and to do different things or do things differently. So that was part and

PUBLIC

parcel of what we went through in terms of restructuring and changing the business. We had a number of executive redundancies over these years.

As I said, the overall organisation now functions differently, has different direct reports to me, a smaller number of direct reports, so it's a more efficient organisation.

Ms THOMAS - Yes, I appreciate that, but it still didn't really answer my question.

Ms LOVELL - I think the question is, if Mr Burridge had retired, would he have been entitled to those same payouts, those same entitlements that he was paid out? Probably the one in question would be the redundancy payment.

Ms ANDERSON - So, no. That's specific to an organisational restructure. If he had chosen to retire, which we had no indication he had any indication of doing in the near future, he wouldn't have got the redundancy element, he would have got the other elements.

Ms THOMAS - To follow on from that, then, was that something that was considered as part of the restructure given the significant liability that would place on the business? As to the effectiveness of that, if part of it is about scaling back the executive and recouping - but from what I heard you say efficiencies through doing that, clearly there's a time period over which - like that's a significant amount to recoup back.

Dr McGOLDRICK - Again, if I could through the minister. When you're restructuring a business, you have to take many different things into account. We particularly wanted to set up the organisation structure in a more efficient and effective way. We certainly took account of the provisions in each of the contracts of executives I'd made redundant and the impact that has on the business financially, relative to the savings associated with not having to pay annual salaries for a period of time, because you've reduced numbers.

The payback period in Mr Burridge's case was about two-and-a-bit years, in terms of from the point when he was made redundant, if you take all these payments into account, less the efficiency of not having to pay his annual salary pay back in, in just over two years.

CHAIR - If the work he was doing was picked up by one of those five or two of those five, so it wasn't like the work disappeared. The work was still required to be done, just done by less people.

Dr McGOLDRICK - Done by less people and slightly different work.

CHAIR - Less people overall, sorry.

Dr McGOLDRICK - Yes.

CHAIR - So the position - him holding that position was redundant?

Dr McGOLDRICK - Correct, the role was redundant.

CHAIR - But he could have elected to take on one of the other five positions, potentially, if it was offered?

PUBLIC

Dr McGOLDRICK - We have a process by which we go through a redundancy. Again, we do not focus on the individuals, we focus on the roles. In terms of the process we went through in TasNetworks, we made sure to restructure it and then, without fear or favour - and then we allowed people to apply, should they wish to apply, I think is correct process. I hand to you, Renée, to explain what the actual process was.

Ms ANDERSON - Yes, these redundancies at the exec level happened over a course of about three years. So we had a process by which we continued to look at the structure of the executive to see if it was the right size for the business, and we were doing organisational restructure through the business as well. So as we reduced other parts of the business, it became apparent that we also needed to look at the executive and the numbers of executive in the portfolio splits.

The redundancy is triggered either by the role totally being abolished or materially changing in that the functions of the role are no longer like they were; and the person in the role, because of that change, perhaps doesn't have the qualifications or experience to continue in that role. Those were really the key factors and that's the same approach for any level of the organisation. So if anyone's role changes to that impact, then we have to consider a redundancy. We do look for redeployment opportunities for people; obviously it's much harder at the executive level because there's so few roles.

Ms LOVELL - Is this the transformation project, that's where these redundancies come from?

Mr GILL - Yes, and in fact, I was going to pick that up. We've been making some very significant transformation arrangements. When we engaged our new chief executive, we stepped back and had a good look at the business. There was a number of things that we wanted to improve over time. We then began a very significant transformation project which went over a number of years. We've been tracking very carefully some 20 different projects with significant benefits to our business over time. I might get Seán to make a comment because it was his strong initiative that the board supported.

Dr McGOLDRICK - For sure. So we did run a transformation project for a number of years. The organisation restructuring, including the executive level, was one of those elements of the transformation project. As I recall, we had 17 different elements and we worked hard over a number of years to change things, including the organisation structure, but also things like our supply chain, the way we procure things, making sure that we were delivering things as efficiently as we could for the people of Tasmania. It was a wide project, part of it was organisation restructuring.

Ms LOVELL - I understand the project's now complete; is that right?

Dr McGOLDRICK - Yes.

Ms LOVELL - Can you outline how many redundancies occurred through that project? How many of those were forced redundancies and how many were voluntary?

Dr McGOLDRICK - I will hand in a minute to Renée so that she can give a complete answer, but just to assure you, there were no forced redundancies. We went through an entirely voluntary redundancy program. We determined to do this in that voluntary way, offering

PUBLIC

opportunities where they were for redeployment when roles were no longer available, and it was at all levels of the organisation, from the exec table down to the field. We stopped at the field because the assessment that we did prior to initiating that part of the transformation project for redundancies determined that our problem in efficiency terms, in benchmarking terms, was from the executive table down to the field interface but that the field itself, relative to other utilities, was correctly having low numbers.

Ms LOVELL - So, by field, you mean the staff who are out in the field working on poles and wires?

Dr McGOLDRICK - Correct, and their immediate supervisors.

Ms LOVELL - Okay. That's an interesting summary.

Dr McGOLDRICK - Well no, that's something we did share and quite broadly. We worked hard over a number of years to reorganise those levels and we did quite successfully change the business in that regard. I would be happy if you could share some of the details.

Ms ANDERSON - So, through transformation, we had 151 people leave the business through redundancy and, as Seán mentioned, those were all voluntary. Anyone whose role was made redundant, if they wanted to stay in the business, we actively worked to find them a redeployment or a suitable role. We had a lot of success in that. But, yes, the total number of exits was 151.

Ms LOVELL - That was since - was it 2023?

Ms ANDERSON - Start of 2022: sort of mid-2022.

Ms LOVELL - Do you have a total figure of the amount spent on redundancies through that project?

Ms ANDERSON - I think the total amount over the life of transformation was around \$22 million. That included all entitlements as well: so leave entitlements plus any redundancy provisions and notice provisions.

Ms LOVELL - So \$22 million just paid out in entitlements to employees?

Ms ANDERSON - Yes, across that 151 who exited.

Ms LOVELL - Okay, thank you. There is another termination payment in the annual report for this last financial year, for a Mr Stuckey, who was paid, I understand, \$102,255 which was accrued annual and long service leave entitlements plus a payment in lieu of notice of \$79,429. How long was Mr Stuckey in the role for? I know Mr Burrige was 40-something years.

Dr McGOLDRICK - Just for clarity, before Renée gives a detailed answer, that was a payment in lieu of notice, the \$79,000 you're talking about. It was not a matter of a redundancy per se. Mr Burrige was a role-reduction redundancy. Mr Stuckey joined our business, was with us for just two years but unfortunately his family didn't settle on the island, so he determined to leave and go back to -

PUBLIC

Ms LOVELL - So, he chose to leave?

Dr McGOLDRICK - Yes.

Ms LOVELL - And was paid out - he was paid in lieu of notice when he voluntarily left? He resigned, I'm assuming?

Dr McGOLDRICK - Yes.

Ms LOVELL - But he was paid in lieu of -

Dr McGOLDRICK - Yes.

Ms LOVELL - Doesn't that normally work the other way around? Normally when an employee is terminated, sure, they get paid out in lieu of notice, if they're not able to work their notice period, but when somebody chooses to leave, I didn't think normally you get paid out in lieu of your notice.

Dr McGOLDRICK - Mr Stuckey was not terminated, so I want to be clear about that. That was a family situation. With respect to the payment in lieu of notice, I believe that was his entitlement.

Ms ANDERSON - Just to clarify: Mr Stuckey had wanted to stay with the business. His family, as Seán said, was residing in Melbourne; he'd intended to move them down. He wanted to continue trying to see if there was a way that we could work in having him partway in Melbourne, partway here. We agreed that that really wasn't feasible for the business, so it was more of an agreed exit. We essentially came to an agreement that he couldn't continue doing the role, it wasn't feasible -

Ms LOVELL - Sorry to interrupt: the circumstances of why he - his personal circumstances are his business; I have no issue with any of that. My question is really around is it usual practice, I guess in this instance, but more broadly, for other TasNetworks employees to have a contract provision that entitles them to a payment in lieu of notice when they've made the decision to leave the company, which is, in my experience, very unusual?

Ms ANDERSON - Through you, minister: it's not unusual if it's an agreed exit between both parties, particularly at the executive level and not just in TasNetworks.

CHAIR - How many others since the end of the financial year has this applied to, people who have left, maybe at short notice or of their own volition, not sacked or terminated, who have had payouts along these lines?

Ms LOVELL - How many others have that in their contracts that are still employees? There's a potential liability there.

CHAIR - Well, not just those who have it in their contracts, but have been provided this sort of payment even if it's outside their contract. I'm interested in the number of how many employees who have left have, or are, getting or whatever, payouts beyond what would be a payment you would get when you leave, just your leave entitlements - of your own volition.

PUBLIC

Dr McGOLDRICK - Our turnover rate has dropped significantly over the last couple of years. We're at just over 10 per cent turnover, that will give you an idea of the general -

CHAIR - That's across the business or at an executive level?

Dr McGOLDRICK - No, that's across the business. No other executives have left in the time period we're talking about; we've listed those there. Turnover is just over 10 per cent; we'd like it to be lower, and we hope to get it down to about - 7 per cent or 8 per cent would be more usual. We're working hard on that. But each of those -

CHAIR - Can I rephrase the question then, Seán, if I might, minister. Obviously field staff where you didn't - I mean obviously we need those people. So anywhere above the field staff, okay, including the senior executives and middle management, however classified above field staff, how many of those people have left or are leaving that will be paid out more than just their leave entitlements?

Dr McGOLDRICK - We will work to get you the number here today.

Mr DUIGAN - Sorry, in terms of what period of time are you seeking that information?

CHAIR - Since the end of the financial year.

Mr DUIGAN - End of 2024-25?

CHAIR - Yes, the year we're in.

Mr DUIGAN - Have there been other instances.

CHAIR - But if there are others we need to have identified in this, that may not appear in your annual report, because they're below whatever line it is you cut off in your annual reporting of key management personnel: those numbers, and a break down of how much that is costing the business.

Dr McGOLDRICK - Yes, these are normal costs of business. Of course, we will get those numbers for you, but it's a normal cost of business in terms of turnover. People will have built-up entitlements and we will pay.

CHAIR - Yes, but if they're leaving of their own volition and getting additional payouts, that's what I'm talking about, beyond their entitlement.

Ms LOVELL - I guess my question is also, for key management personnel, how many people would have that sort of entitlement in their contract that are still with the business, but should they choose to resign for whatever reason at any stage might be looking at a payout in lieu of notice of tens of thousands of dollars when they've made the decision to leave?

Dr McGOLDRICK - It depends on the circumstances in each case. It may very well be the case that it's sensible for us to pay out in lieu of notice, if people have access to certain information or if - so it works both ways. Sometimes we would ask people to stay for an additional period of time; sometimes we ask people to go immediately. It can depend on the

PUBLIC

work you're doing and in particular what they're actually doing at that point in time. That's a judgment we have to make, particularly at the more senior levels.

Ms LOVELL - So, for Mr Stuckey, do you know how many weeks that was?

Ms ANDERSON - That would have been 12, we've got a standard 12 week -

Ms LOVELL - So 12 is the standard now? Yes, okay. Just a last question on the transformation project: you talked about efficiencies. Certainly, when the project was announced there was an expectation around staff being one of those things that would be reviewed. I know that you've spoken about field staff, and I'm pleased that there were no redundancies amongst the field staff, because I know they work very hard. How many TasNetworks employees were there globally, like a global figure - so how many were there at the start of the project compared to now?

Dr McGOLDRICK - In terms of now, at the moment, we have - let me get the right figure - we have a workforce of around 1100 people, 60 per cent of those are field based. That gives you -

Ms LOVELL - Sorry, 60 per cent?

Dr McGOLDRICK - Sixty per cent of them are field based. In terms of at the start of the transformation project, I believe the number - I will hand over to Renée to give you the exact number.

Ms ANDERSON - Thank you. At the commencement of transformation, we had around 1250 roles in the business.

Ms LOVELL - Do you have a rough percentage of how many of those were field staff?

Ms ANDERSON - It probably was a smaller percentage then, because one of the key focuses of transformation was to make the ratio of field to corporate - but we can follow that up.

Ms LOVELL - Yes, thank you.

Ms THOMAS - To be clear in my mind, minister, through you, perhaps, to the chair: the board is satisfied that that is a standard clause in current contracts that, if someone chooses to resign, there's a 12-week payout?

Mr GILL - I think there's a difference between chooses to resign and there's a mutual agreement to exit.

CHAIR - So someone managed out -

Mr GILL - There was a mutual agreement to exit in relation to the case that you've just raised. No one can put the hand up and say, 'Well, I want the money, I'm about to leave'. That's not how it works. Mutual agreements to exit in any business - I'm involved in a lot of businesses - that's not an unusual way for things to change in your business. I think that's probably enough said in relation to this particular matter.

PUBLIC

CHAIR - Just on that point, if I might, Bec: does the board actually then have written guidelines or thresholds for entering into these agreements and for approval of these agreements?

Mr GILL - This particular agreement was discussed with me.

CHAIR - That wasn't the question. The question was: are there written guidelines or thresholds? Does the board have, or the organisation have, written guidelines and thresholds on this?

Ms ANDERSON - Through you, minister, in terms of the contractual entitlements, particularly for our non-EA employees and our executives, the current contracts are all done through an external legal adviser and our people and remuneration committee had final approval for those contracts and the standardisation of what's in those contracts. Any change to an executive's employment goes through the people and rem committee as well for approval. We also get external legal advice on any of these individual matters because of the complexity, particularly at that executive level.

CHAIR - I appreciate that. The question is: are there written guidelines related to this?

Dr McGOLDRICK - Could I just clarify, if I could: in terms of the format of the contracts, is that what you're asking?

CHAIR - The contracts may be part of this; one would think that if there's been different - I will say mechanisms for want of a better word - adopted to determine exiting staffs' payment beyond their leave entitlements, is there a standard format or a written guideline how to assess that?

Ms ANDERSON - Through you, minister, we don't have a specific separate policy, but the contracts are quite explicit in terms of the circumstances that trigger any potential payment or consideration of a potential payment. So they -

CHAIR - Are they consistent?

Ms ANDERSON - Yes, they are. Now, all those contracts are consistent and that's the advice that we get through our legal providers, just to make sure we've interpreted the contract correctly for each particular circumstance.

CHAIR - If these are standard contracts, minister, they have now been standardised to cover these provisions, can you provide to the committee a non-filled-out, standard contract so we can look at what the provisions are?

Mr GILL - Sure.

CHAIR - Sure?

Mr GILL - I was going to say, at the very top of this we start with the company's remuneration policy, standard arrangement; that folds down to ensuring that there are standard contractual arrangements; that then folds down to the detail in which we're very happy for you to look at.

PUBLIC

CHAIR - Is it fair to say, then, some of those standard contracts are further populated with other provisions related to an individual employee, or do we stick with the standard provision?

Mr GILL - Obviously, you stick with the standard provisions as much as possible, whether there is a requirement to get an individual who is really mission critical to running a business in, and there is a negotiation at the very boundaries of that, it is certainly a possibility.

Dr McGOLDRICK - In broad terms they're very similar. Each individual contract has different clauses that might pertain. Obviously, if somebody's being relocated on the island there is a different set of clauses; certain things are enacted.

CHAIR - In relation to exit payments, whether they're termination or paying out your leave entitlements or whatever, that's included in the standard?

Dr McGOLDRICK - Yes, it is.

CHAIR - Yes, sure.

Ms LOVELL - One more question on this: have there been any staff who have exited the company through redundancy through this project that have returned to the business following that at a later stage?

Dr McGOLDRICK - This is an area of employment law that we have to be very careful about. One of the things that we said at the start of the transformation project is we know that roles are going to be made redundant. People who left the business or chose to leave the business, that is, not redeployed inside the business, I put a time out on it. I said that in a minimum they couldn't return within two years. That was as much as I could do from a legal point of view.

In a small number of cases, some people after those two years have come back either for short term or slightly longer-term assignments, as I recall. In the vast majority, people have not returned to the business, nor would we like that, because we like - even though it's roles, it's not something that we would encourage. On a small island in a highly-technical business, occasionally there are skillsets that we need, but they are the exception, other than in the vast majority of the exception.

Ms LOVELL - Nobody's come back as a permanent employee?

Ms ANDERSON - I can answer that. We have had a small number, but it's where they've come back in an entirely different role. The best examples we have which - I'm getting the numbers, I think it's only one or two - is if we had someone who had a line worker qualification but they were working in a project role for example, that was made redundant as part of transformation, then within 12 months - we have kept to at least a 12-month moratorium on return - if they then applied for a line worker role -

Ms LOVELL - After 12 months?

PUBLIC

Ms ANDERSON - After 12 months, and we get the CEO approval for that circumstance because those are roles we need. It's qualifications we need from people on the island, and it's not the role that was made redundant.

Ms O'CONNOR - That's not unreasonable.

Ms ANDERSON - No.

CHAIR - I have another question before we move onto other areas. Last time you were here - were you the minister then? You might've been, can't remember two years ago - you had undertaken a psychosocial safety survey and it was pretty disturbing, the results. I understand from your annual report that a subsequent one has been done and showed some improvement. Is it possible to breakdown the feedback on that between the lines people down and the people above?

Mr DUIGAN - First of all, I will make a few comments around psychosocial safety in TasNetworks and the level to which it has been elevated in meetings with me and as I understand it, throughout the business. I know this has been a job of work for management and others at TasNetworks. To give you the level of breakdown, obviously that will come from Renée or Seán, but I simply make the point that this has been an area where a lot of work has been done.

Mr GILL - I'd like to reiterate that this has been something the board's been particularly concerned about. When we embarked on this, we were pretty much one of the leading organisations heading into this. We were very concerned about the results that we found the first time, and you recall, Seán, it came out only just before one of these committee hearings and both the board and Seán and the team were trying to digest what all this meant for us. That's enabled us to spend the last couple of years really working hard on this; it's part of the culture question that you have.

I made a point when I was in this committee that part of these issues of a broader societal nature which when you have 1000 people in your business you're confronting, the good thing is that we've been able to start having conversations in our business that we hadn't had before. These are good conversations; they're healthy conversations; they help the wellbeing not only of the staff, but those who perhaps see the world in a different frame. I contend that the effort that we've put in over these last couple of years with 1000 strong Tasmanians who really have a ripple effect within our community has been a very valuable, if not a confronting process to go through.

I'm very pleased that you've asked this question because it's a strong story that I think we are starting to come out with. We would be very pleased to provide whatever breakdowns we can. I will let the team tell you about this, because it's been a really important matter for us.

CHAIR - I acknowledge too that over the last 12 months you've had these issues with the storm last year and pay dispute that was happening at the time, so there was a whole heap of added complexity. I do acknowledge that.

Dr McGOLDRICK - The best advice that we had was that we should do a survey, we should come up with a program of work to implement changes and that we should - following a period of time - then do another survey, and the recommendation was 18 months. We did

PUBLIC

conceive a program of work. We worked very hard over the last few years, as the chairman has said. We did have a survey in October; this is a complex survey with a lot of questions. The full results of the survey are going to be made available to us in early December. We do have some initial results which I ask Renée to share with the committee. The first and only number I would give you is that the participation rate was a very significant change. It went up from 55 per cent in the first survey in 2023 to 70 per cent in 2025. That, in itself, is a healthy sign because we know the feedback we're getting is from a significant majority of people. I ask Renée to share some of the summary results, the early results that we've had.

Ms ANDERSON - The early results, as Seán said, there's deep analysis that's been undertaken by the external firm who ran the survey for us. Pleasingly, so far, the high-level observations are that we haven't had any instances in the survey of the illegal or the concerning behaviours that were in the last survey. That's been one of the first observations.

The second is that we've seen across the hazards, positive uptick or improvement in terms of how those hazards are perceived in the workplace. In some cases, people have said they've seen up to a 28 per cent improvement. That's across things like general psychological safety, the safety climate within the business, disclosure of mental health problems, managing stress. They are just a subset of seeing a positive improvement across all of those, so far.

Last survey, we didn't break the results down via level or team because it was the first time that we've done it. We just wanted to make sure we could have an enterprise view. This time we will have the ability to look at least business unit level, but we haven't got that information yet from the independent consultants.

CHAIR - When do you expect to have that?

Ms ANDERSON - Mid-December, they think that we should have it or by latest mid-December.

CHAIR - Have you seen the comments that have been provided?

Ms ANDERSON - Not yet. That will all come as part of that detailed report.

Mr GILL - We would like to be in a position to share it with our staff as it comes out. They are really kind of sensitive discussions; we want to honour the feedback that we're getting when you get 75 per cent of your team telling you. So, yes, this general nature is encouraging from our point of view.

CHAIR - I want to finish off the people.

Ms THOMAS - I've got some more on people.

Ms O'CONNOR - Climate relates to people, too. Minister, we've had ongoing conversations about climate risk in areas of your portfolio. We've learned at the table this morning that insurance costs are up for TasNetworks. You have faced devastating storms and the clean up after that. We've had going back to 2016, in June 2016, I think it was devastating floods. There will be heat and fire events. What is TasNetwork's understanding of the climate risk to its operations?

PUBLIC

Mr DUIGAN - Thanks for the question. One of the simple facts of the matter is that TasNetworks is out there every day. The infrastructure gets tested regularly and there are a few people who know it better and know where the vulnerabilities lie. The last couple of years have given us good insight into where our sensitivities and our vulnerabilities lie. Tasmania is pretty disparate. We have people who live up the end of the road sort of thing and there are challenges in getting distribution there.

To answer your question with more specifics than that, it's probably up to the team. I know there is a lot of work and there is a lot of information coming in to feed that work.

Mr GILL - Perhaps putting an envelope around it from a board's point of view, we have a dedicated audit and risk committee looking at that risk envelope, you would see climate risk as a pretty high issue for us. Bushfire risk is obviously a very large one. So, managing that, managing dryness, wetness, but dryness and heat, are a huge issue for us.

We have 15,000 kilometres of distribution lines, 3,500 kilometres of transmission lines. We actually have the spider's web all over this island and, within that spider's web, we have people crawling all over that. We have a digital twin of this island so that we can look at it in 3D. So we are really conscious of what the impact of it would be every year. Preparing for bushfire risk is a major program inside our organisation. Design of fuses on the top of power poles, managing all that. The amount of money we put into trimming trees. You could argue that we're perhaps a large vegetation-management business as opposed to a transmission business. That's how much effort goes into managing the environment in which we avoid bushfire issues.

The storm issue - of course we're at the frontline of that, preparing our staff to be able to manage storm issues. I think of the time that I've been with the business, the pride we have in being safe during storms, being able to get things back in time, having the spares available to get that done is a huge issue.

Storm preparedness, bushfire preparedness, recognition of the footprint we have is a significant ongoing issue for us. I think of any organisation - I guess you could think about in Tasmania, our exposure to this is high. As the minister says, the data coming in is strong. In our risk matrix you would see these matters are high in the agenda.

Ms O'CONNOR - Thank you. In that audit and risk committee inside the organisation, will they, for example - so the state government belatedly produced Tasmania's Risk Assessment for Climate Change 2024 which makes it clear that threats to damage to the kind of infrastructure that TasNetworks is responsible for will only intensify. Then the Australian Climate Risk assessment has come out and again sounded the alarm. That audit and risk committee within TasNetworks, are they aware of those climate risk assessments? Are they engaging with local scientists that we have here at IMAS, the CSIRO, Antarctic Division, you name it. Is that work happening?

Mr GILL - I can simply talk for the board that people we have on the board operate in the Northern Territory, Queensland, Victoria, New South Wales, and in Tasmania. I work up and down the eastern seaboard of Australia in the energy game and on everybody's lips is how you manage this stuff: being able to connect as well as we can with reports that come out from time to time with people who were in the business. I'd say that's our bread and butter.

PUBLIC

Ms O'CONNOR - Thank you. We will go to Seán in a minute. Just quickly, this is not reports that come out from time to time. This one, particularly the national risk assessment, is a seminal report that the Australian Government sat on for almost a year. Page 51 of this report says that Tasmania, of all the states and territories, is the most exposed to climate risk with the exception of far north Queensland and the far Northern Territory. I draw that to your attention - that the level of risk here - we might seem like we're buffered from it, but we're not.

Dr McGOLDRICK - Through the minister. We're certainly not buffered from it, nor are we taking a relaxed posture in this at all. I think we have three levels to our response that are incredibly important to realise. Before I go to those, to answer your question, we do cooperate heavily with local scientists, particularly UTAS, on issues such as vegetation management, bushfire and climate modelling, including flora and fauna. We do a lot of work cooperatively. I'm very grateful for our scientific compatriots in UTAS. They bring great knowledge and expertise.

Our three aspects of this is - first of all, the most significant impact that we can have on climate change in a positive sense is by accelerating the move towards the Tasmanian renewable energy target and connecting as much renewable energy as we possibly can on this island, allowing the replacement of coal with far more climate-friendly generation cohort. That's a huge thing and that's one of our primary roles to get, as efficiently as possible, new generation connected. We have an abundance of wind - and some solar - on the island and making sure we're doing our best in our role to facilitate the connection of renewable energy is the biggest impact that we can have on climate.

With respect to network resilience, if I could say or - we run a power system -

Ms O'CONNOR - That's the adaptation imperative.

Dr McGOLDRICK - Yes. So we have to make sure that our network is resilient to climate change in the coming years. We have a range of different things that we've done to tackle these physical risks that we're facing. We've trialled installations of high-voltage covered conductors for bushfire resilience; we have installations of fire protection wrapped around wooden poles; we use fire-resistant fibre-reinforced concrete poles for critical structures; and we use fibre-reinforced polymer cross arms. All those bring fire resilience and greater strength. We're working on the network resilience aspects continually from an engineering point of view.

There's also our own emissions and we report through the NGER's framework on our emissions. But there's a step up in the reporting coming this given year, so we're ready and capable and armed for that. It's very important for us. When we look at our emissions and what we're doing about them, first of all we've gone through a program of minimising our use of electricity and putting solar panels on the roofs of most of our buildings that we can. This is a good contribution. We have invested in electric vehicles in terms of our fleet; we're looking at more electric vehicles for our field force. That, again, is a positive impact on climate.

Probably the most material thing from an emissions point of view that we do is we're looking to minimise and transition away from SF₆, which is an insulating gas we use in some of our pressurised equipment in substations. That's something that we've been looking at, at the commercial possibilities and what we can do in terms of minimising the fleets and containing the SF₆ that we have in our fleet. But then, as it becomes more commercially available, moving

PUBLIC

away from SF6 as well, which is a significant thing we can do as an industry and we can do as a company.

Ms O'CONNOR - Thank you. Is TasNetworks now building infrastructure in response to extreme event risk that is more robust and resilient to those effects? You described before some of the things that you're doing in some places, but if, for example, new transmission line infrastructure or whatever is being built, is it built to a higher standard in order to withstand extreme wind events, potentially to withstand a fire or a flood event?

Dr McGOLDRICK - Yes, new build, but also when we're out doing our maintenance on the network we're replacing our assets, be they conductor, be they cross arm, be they poles with different classes of assets that are more climate resilient, be that bushfire or wind or typically wind-blown vegetation which caused our problems.

When we've had two significant outages in the last couple of weeks, one in Queenstown and one in Waterhouse Road in the north-east, on both of those, we took the opportunity to retrofit better solutions, in terms of reliability, cost, but also climate. So different types of poles, different types of cross arm, different types of conductor, and different types of configuration to make it less prone for bird strikes. So that's something else we've been doing. That's part and parcel of our approach not just for new assets, but when we're carrying out significant work on our existing assets as well.

Ms O'CONNOR - Thank you. There was talk of key vulnerabilities in the system, minister; key vulnerabilities to climate, I think it was in the context of. What has TasNetworks identified as its key vulnerabilities?

Dr McGOLDRICK - It's bushfire and it's flood; those are the key things that we see, and it's wind-blown vegetation and it is extremely wind events. These are the things that we've suffered. We're working hard to make sure (a) our assets in the first instance are more resilient; (b) that we have a response that's more fit for purpose when an event happens to restore power quickly; and (c) to make our community more aware of what they can do to be more resilient in the face of such events. It's a three-level response again, that we're working very hard on. You can't just concentrate on one thing; you have to have an asset approach, you have to have a people approach and, dare I say it, we have to have an insurance approach as well, which we have.

Ms O'CONNOR - That was going to be one of my questions because there's an issue here - through you, minister - with entities and households increasingly struggling to get insurance. We heard earlier that insurance costs for TasNetworks are up, then there's the cost to the organisation, I think it's \$20 million as a result of the storms of August and September this year. Has the future insurability of the network been examined, for example, by the board or the audit and risk committee? Through you, minister.

Mr GILL - I guess, with any of these long-life assets, high-exposure assets, when you go to the insurance broker, it's too late to go on the day you want to replace the insurance.

Ms O'CONNOR - That's right.

Mr GILL - What we've done is we've spent years fostering relationships with the insurance industry, particularly brokers, so they are aware of the risk management programs

PUBLIC

we put in place because it's the risk that they are actually insuring. So, if we prove ourselves to the insurance industry as good stewards of these thousands of kilometres of asset that will help bring our premium down lower than it would have otherwise been, given that they're in a market for it -

Ms O'CONNOR - Sorry to cut you off. Do you think, given the way the world is moving, that there's any chance that your insurance premiums would actually come down rather than go up?

Mr GILL - Well, of years gone by, perhaps some comments of our ability to, year-on-year, reduce premiums from what we thought they would have been, given that we have been able to speak to the brokers in various parts of the world.

Dr McGOLDRICK - Before I hand to Michael to talk about the actual costs, just to elaborate a little bit on the process. The struggle is, we self-insure for a lot of our assets. That's appropriate for a network to do, but it's the impact that it may have on the wider community we get insurance for, I think that's an important thing to realise.

The struggle in recent years, given - not so much events here in Tasmania or even indeed in Australia, but more in Europe and North America - has been to even get coverage. So, the struggle is to identify coverage and get coverage and because of the deep relationships that the chair has spoken to, developed over many decades, we've been able to maintain an acceptable level of coverage. This year we've been able to improve our level of coverage, to get more coverage. We've managed to get some very good value for money in that regard.

It is important from a community point of view that we do carry insurance because the impact can be significant, of course. We've also joined efforts with the insurance industry to better understand the actual nature of risk, by sharing information on our geospatial mapping and our digital twin of the island, a wide-area digital twin where we can map vegetation. The insurance industry is now using this at a household level to understand bushfire risk for individual properties and how that impacts insurance and insurability. That's something that we're sharing an interest in.

To give you some of the exact numbers, I'm going to hand over to Michael to talk about the insurance levels we carry.

Mr WESTENBERG - Thank you, and through the minister. In relation to the cost of the insurance, you can see from the annual report that last year we spent just over \$6.1 million on insurance. As the CEO said, the main part of that is our insurance component in relation to fire or bushfire starts. We have, in our last regulatory proposal, seen, and been approved for, a step change in our costs associated with insurance. However, again, with the work that we've been doing, we probably have been able to manage and secure some of the best rates around our industry for insurance rates. That's to do with the work that we have done, the amount of information we provide, and the relationship we have with the insurance.

You're absolutely correct, though. It is a risk and something that we continue to look at. This year, when it's available and when possible, if we can take additional insurance within that cost, we do and we step up our insurance levels to cater for increases in costs, should an event happen.

Ms O'CONNOR - Thank you.

Ms THOMAS - I want to go back to the transformation program. You mentioned before that there's been 151 people leave via voluntary redundancy since 2022, at a cost of \$22 million. It's been suggested to me that a review of the last four years' financial statements suggest that termination payments total closer to \$36 million over the last four years. I'm wondering if you can confirm whether that is redundancies plus other termination allowances, or what the actual figure is per year over the last four years in terms of termination payments?

Dr McGOLDRICK - Termination payments, of course, are made up of, not simply redundancy payments, but leave entitlements and so on and so forth. We'll try to get that figure during this session for you. In terms of the actual payments, it's important to realise that we have reduced the number of roles in the business and, as a consequence, we're operating more efficiently. I will hand over to Michael to give you some more detail on the numbers.

Mr WESTENBERG - Certainly we can check that number for you. Just one component, to put some context in relation to the transformation program. Obviously, any costs associated with redundancies or termination payments need to be factored into the returns on the transformation program. So far, over the last three years, we've reduced our cost by \$88 million as part of the transformation program.

Ms THOMAS - Over the three-year period?

Mr WESTENBERG - Over the three-year program. We still have ongoing cost savings factored into our business, related with changes that we've made that will see those reductions continue through. That is not all in operating costs, though. That is in, what I would call, a total cost. So, that could be components of capex or capital expenditure, where we've saved money on capital as well as operating costs. We will clarify that number for you, but I wanted to reinforce that out of the 17 initiatives that came through transformation, they've now been completed and those savings are ongoing and something that's helped us cushion the impact of some of the financial changes we had this year, such as the storm.

Ms THOMAS - Okay. Are you able to provide how much has been saved in operating costs of that \$88 million?

Mr WESTENBERG - I can check that for you, yes.

Ms THOMAS - Thank you. You mentioned there were 17 initiatives through the transformation program. Perhaps, through you, minister - or minister, are you aware whether there's been any evaluation of the effectiveness of the transformation to date, both operationally and financially?

Mr DUIGAN - Transformation was something we were talking about a lot two years ago and I think the 17 actions were probably - and I'm relying on my memory - completed some time ago. I suspect there has been plenty of evaluation of the process. To speak to that more pointedly -

Mr WESTENBERG - We might let the CEO just pull that one together.

PUBLIC

Dr McGOLDRICK - For sure, we formally drew the program to a close several months ago and we did carry out a post-implementation review of the transformation process, as we normally do. All through the number of years of the program we had rigorous reporting on the outcomes. I'm happy to report that it was successful on a number of different levels: making us more efficient, saving money, and reshaping us as a more modern business. Doing everything from: supply chain, which has been remodelled completely and is still ongoing; true modernisation of our fleet; and true organisation restructuring like we talked about.

Yes, it was a big effort, but we're fortunate that we've come out the other side of that and we are now moving forward into a more continuous improvement phase rather than a formal transformation program. Now we've closed that and we're moving forward, incrementally, with different efficiencies. We're always in the game of trying to do things better and save money where we can. That's now part of our normal mode of business. Michael, do you want to share anything else?

Mr WESTENBERG - No, I think that covers it.

Ms THOMAS - Do you have any specific highlights you're able to share of what some of those successes have been, in general terms? You spoke about that it's been successful, but what were the measures, like the -

CHAIR - How did you measure success?

Ms THOMAS - How did you measure success? Thank you.

Mr WESTENBERG - Through the minister. Off the top of my head, I think the first one would be the supply chain optimisation. Previously, before transformation, the supply chain was segregated across the business. Bringing that together and re-engineering that from the top down has provided a large proportion of those savings. That's everything from considering what the market's doing - particularly given what we've seen during COVID. We've seen a swing towards suppliers probably having more negotiating power than they have in the past. So, working closer with our suppliers, understanding what the market is, having a look at what our key saving potentials are and then working through those. Some of the key attributes were our transformers, which we spoke about, I think a year ago, where we moved from one brand of transformer to another, how we did that and the savings that were generated through that piece of work and we're doing that with other programs, obviously.

The fleet that Seán mentioned previously as well, was a little bit different in relation to understanding the context of our fleet, what sort of vehicles we had, what sort of utilisation we had. In that case, we actually invested more capital in some types of vehicles to ensure that the team in the field had the appropriate vehicle. Again, done through a time where it was very, very difficult to get any sort of utility vehicles and what we call our elevated work platforms through COVID and out of that, the supply chain was quite difficult to secure.

That's a couple of the examples, but we measured all transformation in relation to all our measures such as the savings that we'd anticipated and how they went compared with the transformation program. The board were provided with a monthly update.

Ms THOMAS - There was a target for each of those 17 initiatives?

PUBLIC

Mr WESTENBERG - Yes, in some cases. In other cases, there wasn't a target, but it may have been to initiate a review of some of the initiatives and understand whether the initiative is worthwhile undertaking. I think there was one or two initially that we had a look at, did a little bit of investigative work and said it's not worth the work driving that through, given everything else that the business had on.

Ms THOMAS - So, you will come back to me or take on notice - you said that the costs have reduced by \$88 million over three years and you will come back to me with the operating savings?

Mr WESTENBERG - Yes, we're getting that for you now.

Ms THOMAS - Okay. In terms of staff, something that came up before as we were talking a while back now, was about people relocating to the island to take up new roles. I wonder if you can tell us how many people have been relocated to the island, coming into new roles and at what cost in recent years?

Mr DUIGAN - Recent years?

Ms THOMAS - Since this started in 2022.

Mr DUIGAN - Relocation packages?

Ms THOMAS - Yes.

Dr McGOLDRICK - We will endeavour to get that very detailed number for you. Let me just say that, for the bulk of staff, we are very keen to work on the island and to recruit from the island. In some specialist areas that's not possible, but in our apprentice program and our lines and field staff, for example, we are focusing on the island here. We have, in recent years, had significant success in recruiting into the field force for replacing our ageing field force from the island. We have a very significant apprentice program that we recruit on the island. Every year we have a small number of apprentices - double digits. This year we have 16 new apprentices starting, but we advertised on the island and we had almost 2300 applicants. We're very keen to use local skills and also to grow local skills.

We are a registered training organisation; we invest heavily in training our staff. So, where we feel we have the capability, but not necessarily the experience or the skills, we invest in people, and we think that's a far better return.

There are certain specialist skills that we need to recruit, and, in some instances, they will be short term, for others they're more permanent. If they are off the island, we would offer people a relocation package, but it's nothing unusual in terms of what's available in the industry more broadly. We'll endeavour to get you some more detailed figures on that.

Ms THOMAS - Thank you. You mentioned earlier, with one of the termination payments, that there was some conversation about effectively flying in, flying out or working remotely. Do you have any staff now who fly-in fly-out? If so, who pays the travel and accommodation cost?

PUBLIC

Dr McGOLDRICK - I cannot recall that we have at the senior level, obviously, I don't, know everybody intimately in the whole business - I know a fair few people. I would say that, in some instances, where we have a technical skill for commissioning or under or repairing a particular piece of kit, we may pay consultants or contractors to come onto the island. They may have arrangements with their own firm where they are accommodated on the island. In terms of permanent TasNetwork staff, other than for people who are just starting and have come down initially, it's not a substantial number at all.

Ms THOMAS - Do you have any then, or are you not sure under the senior level?

Dr McGOLDRICK - We will try to find out. If anybody else can -

Ms THOMAS - I think as you alluded to, it would be unusual for under senior level people to perhaps be doing that.

Dr McGOLDRICK - In some instances it can happen. There would have to be very good circumstances - a very good reason for that, but it's by no means usual. We will find out.

Ms THOMAS - Thank you.

CHAIR - Can I go back to the cost of the storm events? The storm was classified as natural disaster pass through event. I understand that the AER provided \$4.19 million for recovery. So, there was a \$20 million cost - correct me if I am wrong with these figures - and the \$4.19 million for recovery. Does that presume then, that the rest is unrecoverable, or is that funded through some other mechanism?

Mr GILL - I will let the team talk a bit about how you manage within our regulatory framework for these. In the broad, when we put a revenue request going forward, we do not include contingency allowances for those events. Even though we know that they're going to come, we don't say to all the customers, please pay a little more so we can put a bit out the back in case an event once in 25 years doesn't turn up. That is the regulatory framework for doing this. I might pass to Michael or Chantal in relation to that.

CHAIR - On the answer if you could include, if possible, the specific costs that were disallowed by the AER and why they were judged in official outside the rules?

Mr GILL - Essentially, we deal with one of these large events when they come. In our case, we've gone back to the regulator and said, 'We really can't carry \$20 million off our own back. We will have to spread that across our customer base for the years going ahead'. We think that's the most prudent way of managing lowest possible prices for customers. I will let Michael and potentially Chantal give you the exact details.

Mr WESTENBERG - Through the minister. There's a regulatory mechanism to recover costs that are above and beyond our normal operating costs, such as a storm event that was declared as a natural disaster. We've put it through the cost pass through application, which is the first time TasNetworks has done that in the history of the business.

Just so we are clear, any storm events that do happen that's less than 1 per cent of our maximum allowable revenue, which is about I think about \$3 million, \$3.3 million, we do have to wear. We do need to do that. Above that, we go through the cost pass through. We only had

PUBLIC

a very small amount of dollars taken out - and I will go through that in a second. I think the difference is, when they talked about the \$4 million that was allowed in our regulatory transmission, that is for this regulatory period going through to 2029. After that, the remainder of it goes through into our standard regulatory asset base. So, all the costs that we've put forward that were provided for will be put through either the \$4 million for this period and then the remainder of it would go through into our route.

CHAIR - Close to \$16 million will go into the next regulatory period, is that right?

Mr WESTENBERG - Sorry, how much did you say?

CHAIR - Roughly \$16 million because \$4.1 -

Mr WESTENBERG - No. Out of the \$21 million, we only submitted approximately \$10 million for the storm cost pass through. Again, if I could, there was a couple of decisions that we needed to make as a business and, to the points that the minister and the chair have made around what is the lowest cost that we can provide to the Tasmanian community, one of the key items we took out of that was the \$10 million that we paid for guaranteed service levy payments to the Tasmanian community. We did that for an -

CHAIR - That's how much it cost, was it? \$10 million?

Mr WESTENBERG - \$10 million, which was -

CHAIR - Some of it went to my back account, yes.

Mr WESTENBERG - A portion of that, potentially \$80 or \$160 or whatever it was to - so, that was done on a risk-based assessment of, whilst it was a major impact, (1) should we be trying to claim that back; and (2) do we think, based on our assessment and our allowance with the AER, we manage through the rest of our regulatory determination with our allowance? That decision was made but we didn't apply for that. We basically applied for \$10 million and, I think, it was only in the vicinity of a few hundred thousand dollars that was deemed not efficient. The reason for that is the scrutiny that AER go through goes right down to timesheet levels and there was a couple of questions around certain team members, whether their costs were associated with normal work or with storm work.

We have to justify that every cost we made was incremental to the revenue we already received. As an example, if we lost 10 poles in a line and we went to replace those, if one of those poles was part of our regulatory determination to ensure that we were going to replace that pole anyway, we need to be able to provide the AER with the factual evidence that we have not charged for that one pole.

CHAIR - What is the amount then that goes forward into the next regulatory period then, to be clear?

Mr WESTENBERG - Our determination to approve \$4.19 million nominal to be recovered in the last three years of our regulatory control period, so that's within this period and then the rest rolls into -

CHAIR - The rest being \$5.5 million, or something like that?

PUBLIC

Mr DUIGAN - Yes, something like that.

Ms HOPWOOD - I think there's a slight difference between capex cost, which is what we incurred as authorities pass through, and what Michael's talking to you about, which is revenue recovery. The pass through will form part of our regulatory asset base and we will recover that incrementally over the life of the asset. So, it's a little bit different.

CHAIR - There was a significant component of the customer service level, we said that was twenty -

Mr WESTENBERG - Just over \$10 million of the \$20 million.

CHAIR - Out of \$20 million, yes, and that was for that one storm event?

Mr WESTENBERG - The one event which consisted of, I think, eight major event days during that period.

CHAIR - How much has been paid over the whole financial year? I've had more than those events paid into my bank account. TasNetworks paid a lot of my bill this year.

Dr McGOLDRICK - That's true, and through the minister, while the team is finding the exact number for this entire year to date, I'd like to remind the committee that the guaranteed service level payments are a local regulatory provision through OTTER here and it's -

CHAIR - Yes, I understand that, but you've still got to find the money.

Mr McGOLDRICK - Yes, you've got to find the money. That's where we have to work with the AER to make these submissions or live within our allowance. Mostly, when there's a minor storm, we live within our allowance. But this was of such major consequence, as you've said, declared an actual disaster, with eight major event days, six in a row, that we had a very strong case to make to recover.

We thought long and hard about that and we checked that we couldn't live within our allowance and what we were allowed to reclaim. We felt we could live within the entire allowance over the period for the guaranteed service level payments. We did not claim that because there are some years still to go in this period, but the capital expenditure and operational expenditure associated with almost 30 per cent of our network being damaged was sufficient grounds and sufficiently material that we had to make an application. That application stood up very well with a very high percentage being approved, which is quite unusual in these situations. Michael, I don't know -

CHAIR - The total amount for the last financial year?

Mr WESTENBERG - I believe it's around \$12.8 million total.

CHAIR - What provision do you make in your budget for this? Acknowledging the increasing storm activity - and certain lines like the one I live on and all the people around me and further up the hill.

PUBLIC

Dr McGOLDRICK - We have an agreed regulatory - we've an amount in our existing regulatory provision per annum. Michael, I've forgotten the number exactly -

Ms HOPWOOD - It's about \$3.3 million.

Mr WESTENBERG - Yes, about \$3.3 million.

CHAIR - What would be your average spend on this then?

Mr WESTENBERG - That's been around that in the past.

CHAIR - That is the average over the last few years?

Ms HOPWOOD - It's been derived from our historic average, the allowance.

Mr GILL - Part of the challenge is - picking up the comment we had earlier in relation to when we put our regulatory submission in for five years going forward, all these issues are exactly what we have to try to estimate. You're hearing the sort of numbers that we have - as we go in for our 29 through 35, we will have to go back and start asking the question, 'What will that nominal storm impact be?'

CHAIR - So you're doing climate modelling around that then?

Ms O'CONNOR - It will be higher.

Mr GILL - That's exactly the sort of question that we're going to have to try to face up to. And 29 we're just starting to get our mind around now, in nearly 2026 of what it will be for that first five years of the next decade.

CHAIR - Have you got the skills in-house to do this climate modelling to look at what the likely cost to the business is of the impacts of climate change?

Mr GILL - I guess we wouldn't keep those particular skills in-house. We will use the sorts of reports and capability that the country is starting to develop, hence the comment of the CEO of a relationship with the university. We've been gathering this data all the time. I'm drawing the loops together of what this business has got to try to assess so that we can last for five years with an appropriate regulatory arrangement.

This particular one, we got to the point where that once-in-25-year hit was outside what we had estimated and hence we went back to the regulator and said look, we're going to have to put this to you.

Dr McGOLDRICK - Of course, in coming up with our reporting, both our injuries reporting and our step up for our new reporting regime, we've had external advice. We're lucky to have a number of parties around Australia that are becoming more expert in this. We also work with peak bodies across the industry like the Electricity Networks Association and CIGRE, both of which themselves have developed cross-utility working experience and working groups that we are part of.

PUBLIC

We're growing that capability to understand how to model from a utility economic point of view, how to model the impact of climate both in terms of network resilience and how we need to provide for our impact on climate, too. There is a lot of detailed work going on around the industry. We're well plugged into that and we also make judicious use of key expertise. Highly specialist in this area, but we don't keep it.

CHAIR - You buy that in, yes.

Dr McGOLDRICK - We buy that in, yes.

CHAIR - So the Australian Energy Regulator also provided around \$34 million for tax in their allowable considerations - sorry, I'm getting a bit tired in the day.

Mr DUIGAN - Price determination?

CHAIR - Yes, that's it. That's the words. This year, you only paid \$8 million in tax and didn't pay any dividends because that's an indication of the lack of profitability for the business. What happens to the difference there, \$34 million allowable, but only \$8 million paid.

Dr McGOLDRICK - If I could have an initial answer to that and then perhaps Michael and Chantal will be able to provide some more detail. The general principle of the regulatory regime we work in is you get the allowance. You lay out your scorecard at the start of your regulatory determination period ahead of that. The AER makes a decision and it gives you an allowance for those years, for all the years, and you're expected to work within that allowance. At the end of the period, if you've kept winning the allowance, that's recognised as being good. If you've expanded over the allowance, you have to justify why you do it, but all your expenditure has to be deemed prudent and efficient. They don't look if you've kept within your allowance. They will not dive down, in my experience, into the very detail of whether you spent to the dollar on every category. You must keep within the overall allowance -

CHAIR - The \$34 million allowance is a little bit different from \$8 million paid. Is the allowance \$34 million per annum over the regulatory period?

Mr Mc GOLDRICK - As part of that, Michael will give you an answer to that. As I said, it's important to realise it's ups and downs on every category and every year, but once you keep to it in total, they're usually quite comfortable. All they're looking for is for you to show that you're being prudent and efficient, and for something like taxation where it's a directly calculable amount that's deemed prudent and efficient, but Michael will give you the specifics.

Mr WESTENBERG - Yes, I might ask Chantal Hopwood also for some assistance on this one. I think that for the tax, the AER uses a benchmark for the tax component, rather than a specifics for TasNetworks.

Ms HOPWOOD - Our total revenue is made up of a number of different building block components. We have capex return on, return off, which includes a depreciation in the opex component and then the tax equivalent component, and the calculation of the tax amount in our allowance relates to what you would pay as a tax equivalent for that revenue component -

CHAIR - Yes, I understand how it works.

PUBLIC

Ms HOPWOOD - So it's not linked to our actual situation.

CHAIR - So, the AER make an allowance for it?

Ms HOPWOOD - A provision based on their calculated revenue, and what they would deem a benchmark firm would pay based on that revenue amount. It doesn't take into account our tax equivalent arrangement.

Mr WESTENBERG - In other words, you're not getting funding for your tax. Regardless of whether we, for the tax component -

CHAIR - So, they don't give you the money?

Mr WESTENBERG - Yes, they don't give you the money. They make a benchmark in relation to how that would work through and flow through to other companies, particularly commercial companies. That would be something they would be very focused on.

CHAIR - The reason I'm asking is it's pretty relevant in the next few years, minister, because TasNetworks is not going to make a lot of money. They will be spending lots of money but not making a lot. The fact that they've made that allowance for tax doesn't mean anything to what's passed through to customers or not.

Ms HOPWOOD - It's a component of our revenue, but it's assessed based on a standard tax rate rather than our specific situation as such.

Ms O'CONNOR -The Auditor-General's report on public financial corporations and public non-financial corporation of 10 November 2025 states that Tasmanian Networks Pty Ltd has the highest amount of loans at \$2.28 billion as at 30 June 2025, as well as having the highest debt-to-equity ratio of 152.7 per cent. Clearly, the Auditor-General has looked at TasNetworks' finances and has raised a little flag.

What reassurance can you provide to the committee that that's a manageable or sustainable level of debt, particularly given what the chair acknowledged a short time ago about how little money the organisation is going to be able to make, relative to the past, over the next few years, at least?

Mr DUIGAN - Thank you, and again, I will make some very broad opening comments and then pass to the team. What needs to be acknowledged is that these are long-run assets and it is certainly not outside the bounds of where you would expect companies such as TasNetworks to be. In actual fact, the level of leverage, as I'm advised, for private holders of such assets is typically much, much higher. This is a public-owned asset, and the debt-equity ratio is where it is, as you say, 60:40. In terms of where that sits and whether that's a comfortable place for us to be, I'm advised that that is a good place to be and the business well situated -

Ms O'CONNOR - I wouldn't say good place, as such.

Mr DUIGAN - I think we must acknowledge that debt, in a circumstance such as this, against long-run assets, is absolutely what you would expect.

Ms O'CONNOR - But this level of debt?

PUBLIC

Mr DUIGAN - Let me pass to people who are more expert in this space than me to give you their feelings. Chair.

Mr GILL - Thank you and thank you for the question. Certainly, when the regulator looks at us, one of the things that they are very interested in is to understand our level of indebtedness and hence our exposure to interest payments. We would sit pretty well in the typical level of a government-owned transmission distribution utility across the country. We are not an outstander in relation to our industry. The important point is that this is investment that is productive for an island and a community.

From the board's point of view, we think that the level of independence is well-placed. Clearly, the challenge that occurs during periods of inflation is that you do see kick-ups in interest rate, and we have had that in the last few years. But the level of indebtedness, I would say, was pretty well where a typical businessperson would see themselves positioning this business. Seán, I will let you comment on the comparison.

Dr McGOLDRICK - The first thing I would say is that the economic regulator, all along the national electricity market on the east coast here of Australia, has an optimal model. It sets an optimal model which you as a utility to try to achieve across a range of different things, including your capital structure. They like to see indebtedness, a gearing ratio of 60 per cent, with respect to debt, 40 per cent equity. That's the optimal that they like to see because that actually is closer to minimising impact on customers, making the utility strong for external shocks such as a pandemic or a big storm.

That's what they like to see and that's pretty much the worldwide standard. Many utilities, particularly private-owned ones, like to see higher gearing ratios 70, 80 - in some cases and other jurisdictions, 90 per cent - because that's more economically efficient from an investor point of view, not from a consumer point of view. The regulator strikes a balance at 60:40. We're very, very close to that and -

Ms O'CONNOR - What is very close? Sorry.

Mr Mc GOLDRICK - We are 60.4 per cent. Our gearing ratio is 60.4 per cent. In many of the fellow utilities I engage with here in the national electricity market, it would be in the low 70s. So, we're very well-positioned. We are a robust organisation in terms of our indebtedness level. It causes me no concern, nor should it cause the minister and the shareholders or, indeed, the people of Tasmania any concern whatsoever. We're well set up and, as the chairman has said, these are long-term assets. We have a spectrum of assets, ages range from brand new to 60, 70 years old, and that's appropriate for us as a utility. Different levels of indebtedness are associated with those but, across the totality, we are at 60.4 per cent gearing ratio.

While it's a large number, we are a highly-capitalised business as a utility and we recover the cost of those assets over a long period of time. Our cash-flow position is extremely strong. I will hand to Michael now to give you some figures on the cash flow. But we are in a very good position financially and I have no concern whatsoever with respect to the level of debt that we're carrying, especially giving the good service we are getting from TASCORP, who looks after our debt portfolio for us. Every year, we replace one tenth of our debt on average; we refinance it. It's a very efficient and appropriate process and, indeed, we give some fees to the state as a result of that process that is very well-run by TASCORP. So, we have a very good

PUBLIC

banker in TASCORP. We are introducing a new banker with our new asset, the North West Transmission Developments. The Clean Energy Finance Corporation is also a very significant financial federal entity. We will have two good bankers who are very happy with respect to our position of indebtedness. Michael, if you could give some figures.

Ms O'CONNOR - Before we go to Michael, I understand what you've said. It is complicated, and it is about money, and it is not really much specialty - I heard that there's a kind of a refinancing of debt and we talked about that a bit with Hydro this morning. Will more borrowings be required? For example, how the government would pay for the interest on the stadium by borrowing money to pay its interest costs?

Dr McGOLDRICK - As we go through a process of rebuilding our assets or building new assets, that will necessitate both debt and equity to finance those - fund those assets. For example, the most classic example is the North West Transmission Developments. It will require a financing package that has both debt and equity. That's something we're currently negotiating with the Clean Energy Finance Corporation and indeed with Treasury in Tasmania. That is very normal, that we would borrow money and then we would pay that back to the banker over the long term. In this case, for example, it would be the CEFC.

Ms O'CONNOR - Thank you. So the answer is yes, potentially more borrowings, obviously.

Dr McGOLDRICK - Potentially more borrowings, but well-funded and well able to pay them back.

Ms O'CONNOR - Okay. I will come to the issues raised in the pre-election financial outlook too about the kind of sources of equity that would go into TasNetworks.

Dr McGOLDRICK - Could I ask Michael to comment on the cash flow aspect, which I think is particularly important?

Mr WESTENBERG - I want to provide a clarification: you mentioned comments from TAO, the audit office, around debt to equity at 152 per cent. I wanted to clarify that generally for a business like us, we do use a gearing ratio which the CEO has been talking about, which is a debt to our capital ratio, which is different. I just wanted to clarify that.

I think Seán has covered all the other components in relation to - effectively every year we look to renegotiate one-tenth of our debt portfolio. We currently, as you rightly pointed out, have \$2.284 billion of debt. We currently have a credit limit with TASCORP of \$2.5 billion. We sit with them each year and work through what our general borrowing requirements would be. Do we need more based on our future forecast? Obviously, at this component in time that's very much focused on the north-west, which is being facilitated through 84 per cent through the Clean Energy Finance Corporation.

Ms O'CONNOR - Okay, thank you.

Mr GILL - The thing that I wanted to stress was that debt and equity, to get in that balance, is important. But the most important thing is getting the revenue in the first place to pay back, to pay the interest on that to manage your costs. So, because we are regulated business, we've got the Australian Energy Regulator right over the top of us. We have to

PUBLIC

forecast five years and then they look very closely at what we do. Once they sign off on our regulatory determination, that revenue is locked in. So we have a secure revenue outlook, and that's the difference between, let's say, a commercial business which month to month isn't sure whether revenue is going to come in or not. We know our revenue is coming for the next five years. All the discussion you've heard is how we work within those constraints. The level of risk to us is simply -

CHAIR - Not as great.

Mr GILL - Certainly not as great as you would be in a competitive environment. Our challenge is forecasting that and then managing within it. Then you've heard every now and then there's an excursion, the big storm event we had: ouch. We didn't have that in our long-term forecast, so we went and asked for another \$10 million which the regulator said yes, fine, that's an acceptable expenditure. That revenue side covers the cost that's already forecast in that interest payment. So it's the debt, it's the interest payments that have to be covered and we believe that's covered. Not only do we believe it, but the regulator believes it as well and hence he allows this secure revenue stream for next year's -

CHAIR - When the regulator says yes to the additional expenditure, like the storm, customers pay that?

Mr GILL - Yes.

CHAIR - That's right. So it's not like we have to find the money from a hollow log. It's the customers.

Mr GILL - And that's why -

Mr DUIGAN - For context, sorry to interrupt you, chair: we expect the level of impact to be around \$3 per annum per typical residential household.

Ms O'CONNOR - For just the storms?

Mr DUIGAN - For the storm.

Ms O'CONNOR - So, the obvious next question is, given that we're not looking at one-in-25-year events anymore - the scientists who you work with at UTAS will confirm that - the obvious question is: how are you going to mitigate those costs impacts that will inevitably flow onto customers upon the impact of more extreme events on your network? Climate change is going to start really costing Tasmanians, isn't it?

Mr GILL - In this regulatory period which we are operating with, you've seen us talk about transforming our business, trying to keep a really strong handle on our costs in this regulatory cycle, as we move into the 2029 regulatory cycle, or the first part of the next decade. We will take another assessment about what we can afford to spend, what are the level of assets that we have, and how they're going to be maintained, and that cycle will simply continue on. I'm confident that we've got the team and the capability to be able to make those assessments and that will unfold over time.

PUBLIC

Ms O'CONNOR - I hope you're right. Can I go to the equity contributions towards Marinus Link and North West Transmission Developments line stage 1; these were raised in the pre-election financial outlook within its risk assessment. Where are we at in terms of the equity contributions and the certainty around them? Is it still that the contribution for Marinus Link cable 1 is currently expected to be \$98.5 million and the equity contribution from the North West Transmission Developments stage 1 is still expected to be \$197.6 million?

Mr DUIGAN - No.

Ms O'CONNOR - Gone up, or -

Mr DUIGAN - So through the negotiations leading up to the final investment decision for Project Marinus, we were in discussion with the federal government and, through that process, negotiated not only a \$346 million FFA grant to go to TasNetworks, we also capped Tasmania's equity position on Marinus Link, the subsea cable. So our \$103.5 million investment, which had already been made, was recognised and we kept our equity position there. You may remember that Tasmania was holding a 17.5 per cent equity position. We have come up with the position where our equity in Project Marinus will dilute over time, but we won't pay any further equity calls for the link. You will notice that, in the budget, the need for Marinus Link equity is gone, so there is no equity there, and for the North West Transmission, that's come down a bit as well on the basis of that grant and that's now \$191 million.

Ms O'CONNOR - \$191 million from the state?

Mr DUIGAN - Yes.

Ms O'CONNOR - Okay.

CHAIR - It's in the budget.

Ms O'CONNOR - A final question on Marinus: the transmission line route has caused significant worry amongst some people all over the island actually, particularly the impact on the natural landscape, native forests, reserves, conservation areas and that sort of thing. I know some work was done by TasNetworks early in the piece to understand how it could mitigate transmission line impacts on carbon-storing forests, for example. Where are we at with that?

Mr DUIGAN - It's really important to recognise that Project Marinus, in its initial concept, was two undersea cables and sort of two stages of the North West Transmission Developments: a coastal route, which is what we would call stage 1, and sort of an inland route, which we would call stage 2. It has since come back to one undersea cable and just the coastal route of the transmission, which is 130 kilometres from Burnie to Cressy, essentially, 95 per cent of which already has transmission on it. It's an augmentation of an existing line.

CHAIR - Which does require some widening of the corridor in parts?

Mr DUIGAN - It does: widening, realigning, ins and outs. But it is important to recognise, because people do conflate the two - you would remember the discussions in the Loongana Valley and things like that, which is associated with stage 2; this is a much more set corridor that hosts transmission largely. There's work going on at the moment, which Seán, I'm

PUBLIC

sure, can speak to about getting people signed up to that. As much as these things ever are not contentious, it's not hugely contentious.

Ms O'CONNOR - As contentious as it could have been: then perhaps we could talk about the likelihood of stage 2 becoming contentious and how to mitigate that?

Mr DUIGAN - I guess at the moment stage 2, so that would be a second undersea cable and the second stage of the North West Transmission Developments you know -

Ms O'CONNOR - How far off in the future?

Mr DUIGAN - Well, to some extent, yes, off in the future and not - the whole-of-state business case did contemplate the second stage, but it is a decision that's not present at the moment.

Ms O'CONNOR - And not imminent?

Mr DUIGAN - We will continue to do work on it and see if it stacks up, but it's not anything that's in front of me at the moment.

Ms O'CONNOR - As a general principle, is TasNetworks more aware of, or incorporates more the need to really minimise the impact of transmission line infrastructure on forests, reserves and places like that?

Mr GILL - We are incredibly aware of the challenges of getting a social licence for the transmission line, the environmental effects of which are critical to our island. This is an issue, of course, across Australia.

When you think about stage 1 of Marinus, which essentially unlocks a very large proportion of the net benefits of Marinus Project stage 1 and stage 2, that really has focused us on stage 1 benefits. As the minister said, it's more of a brownfields operation than it is going through greenfields environments, so at the moment that's where our strong focus resides to get all our approvals, et cetera, sorted out for that. I will let Seán pick up with any more legals I ought to have commented on.

Mr McGOLDRICK - Yes. The art of this is the routing and making sure that you route the transmission line to minimise the impact. It's a very important consideration, not least when you go through your permitting process, but also as you engage with landowners and the general community. We're always minded to use the maximum amount of our existing infrastructure and to minimise the impact on the landscape, because that's simply best practice.

With respect to a 220 kV transmission line, we've done very well, in my view, in terms of minimising that impact. Of the 130 kilometres the vast majority, all but a few kilometres, is what I'd call brownfield, so it exists there using existing assets, existing easements or rearrangements of those, or slight expansions. That's credit to the engineering cohort and the lands people who did the routing initially.

All projects of this nature have some level of controversy, of course, but we've been engaging with the broad community since 2020-21 in some detail and we have, I think, made the best application we can to the Tasmanian Planning Commission and I await their

PUBLIC

determination in this regard. I believe that we've done a good job and we are working very hard to minimise that impact, especially on forestry.

Ms O'CONNOR - Forests, not forestry.

Mr McGOLDRICK - I beg your pardon.

CHAIR - Can I pick up on the North West Transmission Developments? Just before I go on to that, minister, what's our equity share now, in Marinus then?

Mr DUIGAN - I think as of today, there has been a subsequent equity call. I would need to take that on notice. I won't guess, but - sorry? 15.4.

CHAIR - And how much was the equity call for?

Mr DUIGAN - \$88 million.

CHAIR - That was total from the feds and Victoria; that's how much they put in according to their percentage split?

Mr DUIGAN - Yes. I was going to say something profound.

CHAIR - Very profound. Gosh, it's a shame you lost that, isn't it? As we reduce our equity share, what does that mean in terms of returns; is that what you were going to say?

Mr DUIGAN - I was simply going to make the point that while we have reduced our equity share and our equity share likely will come down to a very low number, we have been able to retain certain reserve rights over subsequent cables, or how they might be financed, and we've also retained a seat at the board. I think that's very important to have some -

CHAIR - And if we get down to about 1 per cent?

Mr DUIGAN - Yes, those rights remain.

CHAIR - Are there returns back to the federal, Victorian and Tasmanian parliaments, depending on what our percentage split is at the end when there is revenue flowing?

Mr DUIGAN - Yes, Marinus Link will be a regulated asset and its costs will be recovered, and it will pay a return, albeit a relatively low level of return, a concessional -

CHAIR - It would be a low level of return to us.

Mr DUIGAN - Well, it would be a very low level of return to us -

CHAIR - Probably won't help anybody.

Mr DUIGAN - In fact, we might be down to zero and there may not be any return. This is another really important point about Marinus Link, as we are halfway through the effective lifespan of Basslink, which was conceived as a private operation: this is conceived of government, delivered by government at the lowest possible cost to the consumer. If APA is

PUBLIC

building another link to replace Basslink, they're not getting access to all the concessional financing, they're not getting access to all the FFA grants, they're not passing through those benefits onto customers, so I think they're all the obvious benefits of Marinus, but the way it's being delivered is another one of the key benefits.

CHAIR - To come back to the North West Transmission Developments, the P50 estimate I believe was \$1.1 billion in 2023-24 dollars.

Mr DUIGAN - Yes.

CHAIR - Have we got a P90 estimate?

Mr DUIGAN - I have \$1.138 billion at 2024, which I think is P50, and that's our most current number, as I'm aware. Any further thoughts there?

Mr GILL - The important thing here is that we're dealing now with the regulator and the regulated returns on this asset, which have been bought off and tackled in two chunks. We've had the early works requirement request to the regulator; that's been now fully supported by the regulator and hence can then go into the rate base. All the design work gets done on that early expenditure. We are now in the process of going to the regulator for the construction component, which will then sum to, as we've just said, \$1.122 billion net capex, net of Australian Government grants, and the \$1.138 number includes those grants. You go to the regulator with the P50, that's the way the regulatory process works.

CHAIR - So when do you expect to have a P90 price?

Mr GILL - What we have to put forward is a P50 in our regulatory framework; that's the number that we work around. We understand the risks that run around it and the risk of us managing within those arrangements. There are arrangements from the regulator's point of view that they can then assess how we go when it's finally constructed, what issues have arisen during that process, and there's an ability to discuss with the regulator the impacts of final cost. I will let the regulatory team explain the complexities of how that's done.

CHAIR - While he's thinking about that, given recent cost escalations in just about every sector of construction around Australia, how confident are you that it won't have a significant price blowout?

Mr GILL - A lot of work has gone in, over quite a period of time now, to get a good handle on these costs, remembering that they then turn into contracts with the suppliers. We already have our contractor locked in. That's the reason we spent just a small proportion of the money to get the design work done, so the design can then give us confidence on the final number. The board spent a lot of time working around the risks of that. We feel comfortable that the P50 number that we've put forward to the regulator, knowing that there's another opportunity to talk to the regulator about the final outcome of the costs, is a comfortable position for the organisation - a level of risk we're prepared to wear. I will let Seán talk about the regulatory process.

Dr McGOLDRICK - In terms of that regulatory process, it's important for the committee to understand that once the determination is made by the regulator on the CPA2, the construction work - we already have it for the early works, which was an excellent out turn, the

PUBLIC

first \$151 million granted to us - that allowed us to get much more accurate and to do some detailed work in the field. The number that we've submitted to the regulator, which is a public number, which will be discussed in some detail over these months, is a number that has held up well, in terms of our continued investigations out in the field. As we get more and more - I'm delighted to say that 96 per cent of landowners along the route have allowed us onto their property, so we were able to do detailed investigations and make the necessary fine-tuning. That has all fed into our submission and that number has held up well.

I'm very confident that the project has set up the right structure to deal with it, through the construction phase. There are always risks when you're out there in the construction phase. I don't envisage a blowout, but if there are additional costs, once we can prove that they are prudent and efficient costs and more necessary to discharge the project and they will be considered by the regulator after the project is commissioned. You have an incentive scheme, where if you come in under the price, you get to keep a certain amount of the money and you give a certain amount of it back. On the flip side, if you go over the initial determination by the regulator, once they deem that expenditure prudent and efficient, you get to recover the vast bulk of it.

The project has been well set up and well managed. The estimates that we've had have held up well for the last year. I think we've gotten the major procurement items out of the way in terms of a head contractor, and it's working well in terms of the fieldwork and the investigations. I'm very confident that this has been set up appropriately and we have the comfort of the regulatory regime in order to allow us to recover prudent costs, should they escalate, but I do not see any escalation path in front of me at the moment.

CHAIR - I appreciate the fact that you don't see any cost escalation, but should the AER deem imprudent for whatever reason, it may well be a legitimate reason that the cost of purchasing some items has escalated, they are passed through to the customer. So, ultimately, it's the customer who pays. Whilst you have the incentive, there's still that risk to the customer; we can't deny that, because the AER will make the determination.

Dr McGOLDRICK - The regulatory regime has the strength of an independent determination but, like all power systems everywhere in the world, the customer pays for everything. It pays for our costs, which are typically 38 per cent to 40 per cent of the overall costs of the power system; they will pay for any new expansions that are deemed prudent. Again, it's important for the committee to remember that there's quite a process, in terms of benefits and benefit analysis for this project. This project is deemed to be one of the optimal projects to develop the national electricity system by a second independent body, AEMO, in their integrated system plan, that indicate the costs of the project will return multiple folds.

CHAIR - The cost-benefit analysis is - what is the cost benefit?

Dr McGOLDRICK - That is part of their regulatory investment test that we've gone through for the project. It shows that, overall, Project Marinus is one of the projects that's the most optimal, in terms of the integrated system plan.

CHAIR - What is the ratio?

PUBLIC

Dr McGOLDRICK - I will be happy to give you that number shortly, but it is a significant investment. Of course, we understand that. That's why we're going to prudently manage it as we can, but if we could talk to the benefits of -

Ms HOPWOOD - The overall benefits of Project Marinus, including the North West Transmission Developments for the latest regulatory investment test was over \$3 billion in net benefit.

CHAIR - So, the cost-benefit ratio?

Ms HOPWOOD - That is the benefit, the \$3 billion, and the cost is 4 - I can check the Marinus costs.

Dr McGOLDRICK - But that's net of costs.

CHAIR - So, the net benefit is what?

Ms HOPWOOD - \$3 billion.

Dr McGOLDRICK - \$3 billion.

CHAIR - Oh, the net benefit is \$3 billion? Right.

Minister, what are the conditions, if any, on the \$346 million Commonwealth grant, if costs do escalate or timelines slip?

Mr DUIGAN - In terms of those conditions, I'm not aware, but somebody might have a better handle on some details. I don't know that there are conditions around those sorts of things.

CHAIR - When will it be provided to TasNetworks? Is it on completion or when?

Mr DUIGAN - It's in 2029, is my memory there.

Dr McGOLDRICK - Sorry, we're not party to that contract as such -

CHAIR - Can you take it on notice, minister?

Dr McGOLDRICK - but Michael may have some information.

CHAIR - Oh, sorry.

Mr WESTENBERG - Yes, I was going to say, it is based on practical completion in 2029, the federal grant.

CHAIR - So, is there any - and this may be your question, minister - if, for some reason there was a delay, it could be a massive weather event in Bass Strait, not unheard of, is there any penalty or any clause in the agreement that would say, well, you're going to get less now?

Mr DUIGAN - Not as far as I'm aware, no.

PUBLIC

Mr WESTENBERG - If I could talk more about how the grants have worked in the past. When we were part of Project Marinus, there was some federal funding that was initially provided. Those grants were based on milestones and achieving those milestones. If those milestones did move, the grants were then moved with them, so that they were paid at the time that the milestones were achieved. I believe that's how it will work.

CHAIR - Minister, I asked you some questions around the Tasmanian Industry Participation Plan that's been signed under contract with Genus. You didn't have a lot of information, which is fine because it's not really your job to be across all that detail. But, I note that the - I will call it the TIPP for ease of shortness - commits to only 15 per cent of Tasmanian based employees with 85 per cent FIFO workers. The minister himself did call this 'not particularly ambitious' last week. So, who negotiated the deal? Was the board briefed on this before it was signed? Did the board or the CEO seek government guidance on minimum acceptable targets for this?

Mr DUIGAN - Given we have the relevant experts in the room to talk to this, I would refer to probably the CEO - or chair.

Mr GILL - This is really important and I think there's a chance for us given that we know this was discussed last week to be able to give you the exact numbers. What I can say, as Genus come here, I went up with Genus to a big session up in Burnie where we were meeting all the local contractors. There was an enormous - the Burnie Centre was packed to the rafters with people looking to get involved with this, lots of local business capability putting their hand up to contract with Genus, so I think the contracting environment here is going to make significant opportunities of this major project along the north-west coast.

In terms of employees -

CHAIR - Which makes the 15 per cent seem silly.

Mr GILL - Hang on, that's just the employee component. Certainly, the contracting capability of local contractors on this task will be strong. I will let Seán just set the record for the employment arrangements.

Dr McGOLDRICK - Happy to share some of the detail, but this was a procurement event, so we had to set down some numbers. Happy to report on those numbers and what we see now in the detail from Genus.

So, Genus direct labour involved in this project. It will be somewhere between 100 and 110 staff members - that's labour. Genus direct, in other words, Genus employs themselves on the island, so Tasmanian employees will be somewhere between 30 and 40 of that 100 to 110, so that exceeds the minimum 15 per cent that we've set there.

In terms of the indirect employee or the supply chain, so Genus indirect supply chain. We think that, at peak, it will be somewhere between 250 and 260. This is on the basis of detailed work that we've been doing with Genus. Between peak, between 250 and 260, on average between 100 and 140 people employed. In terms of the Tasmanian content of that, at peak we will have 225 to 234 people and on average between 90 and 126. That well exceeds the 45 per cent minimum we've put for indirect.

PUBLIC

Obviously, these things are a commercial decision by a business coming in. We've set the standards, and they have exceeded those standards, which I'm happy to report and there has been tremendous interest from the supply chain on the island.

A lot of these projects are digging, soil shifting, road construction, concrete, and that's all on the island. There will be a local supply chain that Genus will utilise. It's important to remember in this context that Genus is a well-established entity on the island, with two existing depots, one at Spreyton and one at Bridgewater. They've been in our supply chain for lower voltage work for some years and have proven to be a very good contractor. They have the supply chain on the island and they're going to really bring it to bear in this project. Those are the exact numbers I have.

Mr GILL - I wonder if I could wrap that up in the sort of vicinities terms. We're really targeting 45 per cent involvement of Tasmanian workforce, which is both those direct employees and subcontractors. It's a very substantial involvement, which turns into something like \$175 million of contract value going into Tasmania of the total project, and remember this is a project of big chunks of aluminium and steel, so it's the people putting it up and you're buying a lot of hardware. That's the Tasmanian investment of \$175 million into the north-west coast, substantially gaining from that.

CHAIR - I have the plan in there, but I haven't opened on this occasion, but how often were the reports needed to be made?

Dr McGOLDRICK - When we set forward on the construction phase of the project, which will be April of next calendar year, we get very regular reports. The numbers I'm giving you here is the work they've done already to set up for the construction phase. We meet with Genus, we meet with them on a daily basis at the moment, but we get significant reports every month, which we bring to the board in terms of construction readiness. We've set up -

CHAIR - Are those monthly reports provided to the minister?

Dr McGOLDRICK - In terms of the minister's reporting, there is a number of different governance levels for this project that the committee needs to understand. It's not just to the minister; there are levels of reporting. I'd be very happy, Chantal, if you could lay out the governance structure for this project so that the committee understands we're keeping a very close eye on the minimal standards.

Ms HOPWOOD - Thank you, Seán. We have established a multi-tier governance framework that aligns directly with the broader Project Marinus governance framework for the north-west. We have multiple tiers: we report to the shareholding ministers; we have a ReCFIT and Treasury report which goes monthly; and then we also report to TasNetworks' board. Then, to align with our agreements executed with Marinus itself, we have a Tas Marinus committee; then we have a range of different technical committees; project program steering committee; senior oversight for different elements of scope, schedule, risk, interdependence and funding arrangements.

CHAIR - At this stage, the numbers sound good. We're in the early stages and haven't actually started full-on construction yet. When you do, and when you get a report that may show that the numbers have slipped, they're bringing in a lot more FIFO workers as potentially a different skill set of workers are needed, potentially that could happen. Is there any financial

PUBLIC

penalty, performance bond or anything like that if they fail to meet the expectations in that agreement, or is it just best endeavours or bad luck if we don't achieve it?

Dr McGOLDRICK - It's something we will be monitoring very closely. I will get you information in terms of the clause and the agreement that monitors this. I don't -

CHAIR - Is that your job, or whose job is that?

Dr McGOLDRICK - We have a project director; I've appointed a project director for this role, just recently. They have started and they are setting us up in readiness phase for construction; we have to get ready as well as the contractor. That report works with me, and we report to a board committee that's been specially set up to consider this project alone, the composition is the full composition of the board. I'd like to hand over to the chairman to talk to that.

Mr GILL - As you rightly said, we are in the process of setting up. We have to hit financial close, step one, but the preparations for going forward are such that we have established a dedicated board committee for this project to be able to see both its finalisation and financial close. We are very conscious, because many of us have been on these big projects before, that it's one thing to get the financial close, but execution is everything. You're rightly pointing out that the capability of your project directors, the ability to work through your contractual arrangements and the relationship you have with your contractors is a very important issue.

We have time and cost, and we understand the implications of that to our customers in Tasmania. That will be our number one priority to make sure that we're working to get all those metrics well managed. We have very transparent feedback loops going in through all the layers that Chantal just outlined. I think this project will be an extremely well-oversighted project going forward.

CHAIR - Still on the North West Transmission Developments, I know that the Hampshire Hills Spur is considered between one and two - or is it one, or is it two, or is it one-and-a-half?

Dr McGOLDRICK - Through the minister, if I could? Originally, what's known as the Burnie to Hampshire Hills section was part of stage 2 of the project; it's part of the inner loop as opposed to the coastal loop. Irrespective of whether a second cable goes ahead for Marinus, there are certain parts of stage 2 that might be prudent to develop or might be required if we get certain load or generation applications firm up. Burnie to Hampshire Hills is one of those sections that -

CHAIR - So stage one-and-a-half, we could call it then?

Dr McGOLDRICK - We're considering it really as a separate entity. If we have sufficient applications for generation or a load at points of our network, it would -

CHAIR - So, where would they need to be to warrant the work?

Dr McGOLDRICK - They would need to be around Burnie, Hampshire Hills, they would be generation coming off the north-west coast, they would be load projects, they would

PUBLIC

be data centres that if they locate in those areas, will require reinforcement between Burnie and Hampshire Hills - or a development of a new station at Hampshire Hills. Many of these projects are still in development. We have not received, as yet, sufficient firm applications to warrant the bringing forward of that project.

We've not made a decision on it as yet, but it is something that's under constant consideration. We have done some early work in it, and we've deemed it prudent to continue it through the permitting process, that section, so that if we have industry, either generation or [inaudible] with that requirement then along the provisions of the National Electricity Rules, which we keep to, we would develop that section. Obviously, if that doesn't happen, but we do have stage 2 of Marinus, then the entire stage 2 of the North West TD would be required, which would encompass that anyway.

CHAIR - In the short term or medium term, perhaps, whatever it is, it's not being built as part of stage 1?

Dr McGOLDRICK - No, it's not.

CHAIR - The HIF was looking to build a plant up in Hampshire. They've now made a decision to move down to Burnie on the Bass Highway near the old pulp mill site. Does that make that less likely to be needed, or are there other factors in play?

Mr GILL - I wonder if I could make a comment about how the system evolves. It's very important to recognise that stage 1 of Marinus, the North West TD, is the element from Cressy through Burnie - that's stage 1. We put out each year an annual planning report which looks at all those who are in the pipeline of load and all those in the pipeline of generators. Our task is to come up with optimal ways that the network could evolve such that when either of those generators or loads firm up their request, we have a network solution which will work. As Seán says, we have to wait under the rules until those people apply.

There are lots of scenarios as to how the island would grow. Our hope, of course, under our charter, is that the island does grow; that we do get more generation to utilise the link and loads to use it as well.

CHAIR - The question was, Roger - because HIF has now decided to move down into Burnie, does that then remove that more likely upgrade of that link, or are there other factors? You're talking about how the system works.

Dr McGOLDRICK - First of all, we would have to have a firm connection application from anybody before we would determine what the appropriate reinforcement is. We don't have one. We've certain connection inquiries, we've been working with different proponents including HIF to determine where they may land. But until I have a firm connection application, I couldn't even begin to answer that question.

CHAIR - Let me put it this way then - if HIF puts a firm application in based on they we're going to be in Burnie, not in Hampshire, would that require an upgrade to the Hampshire-Burnie link?

Dr McGOLDRICK - The first thing that I would need to do is do a specific set of studies as I'm required to do on the National Electricity Rules. The application would come in. I would

PUBLIC

do the requisite studies and then I would make them an offer which they would then accept or otherwise. I have to do the work, I have to do the studies, and I have to get details of where exactly, how much load is required. When we have that, we do the study and then we make a decision about what reinforcement is required. I'd like to hand to -

CHAIR - So, the geographic location is not the only thing? I'm trying to understand here, because this is something that directly impacts people on the north-west coast and I get lots of inquiries. You're talking a bit in riddles and it's not very helpful.

Mr DUIGAN - I mean -

CHAIR - No, if I can - there's been a suggestion that that particular proposal would move from one location to another. It doesn't remove the potential need for the strengthening of that link purely because of that?

Dr McGOLDRICK - Again, this is a very specific area of inquiry, so I have to be careful about what I say. People who wish to connect to the transmission system must come to us and must give us the details so we can carry out carefully the studies that are required to determine what is needed in terms of a reinforcement and connection and only what is needed. We have been in discussion with multiple proponents on the north-west coast over years in this. I look forward to the day when we've a firm application that we can do the work on. Certainly, some of the options might require Burnie-Hampshire Hills to be developed -

CHAIR - Robbins Island, for example - this goes on and on forever - without any certainty for the community or the proponent, if that was to feed in - from my memory, this is going back - they were going to have to build or pay for, not necessarily build, but pay for the transmission line from Robbins Island through to Hampshire - that's the case?

Dr McGOLDRICK - If they determine that their point of connection is in Hampshire. They could determine the point of connection would be anywhere else. Once they make that -

CHAIR - Where else could they do it?

Ms O'CONNOR - Couldn't they go to Burnie?

Dr McGOLDRICK - Burnie, potentially, or somewhere else. It's not my role to tell them where to do it -

CHAIR - No, I'm not suggesting you should.

Dr McGOLDRICK - But when they make a decision and they put in the application for the type of connection they want, we do the necessary studies, determine what reinforcements, if any, are required in addition to the build that they'd have to make or pay for, and then we will make an offer in that regard. But until I have a firm application - I'd be very keen for Chantal to comment, because she's been directly involved in the negotiations in recent months.

Ms HOPWOOD - Burnie to Hampshire Hills is listed in our current regulatory proposal as a contingent project. In order to trigger advancement of us proceeding with that project, it requires a trigger point of 100 MW of generational load and utilisation of that particular link. Some of the projects that you've spoken about, if they would meet that threshold, that would

PUBLIC

enable us to progress with that project as a regulated consideration. It would still need to go through all the standard regulatory investment aspects, and we'd need to demonstrate market benefit. That is the trigger point, the 100 MW, and that's load or generation, so either.

CHAIR - Or a combination of both?

Ms HOPWOOD - Yes, a combination of both. But we do need, as Seán has stipulated, to have those firm connection applications to progress that, because that does involve incurring costs which we need to be very careful of making sure we don't do that.

Mr GILL - We know there's uncertainty about this, so as with every year, we prepare our annual planning report, which attempts to explain this spaghetti web of development. We also do that publicly. We have community consultation that takes them through this program so that developers and others get a feeling and an understanding of what is actually required in order for these various components of upgrade to occur.

CHAIR - Robbins Island is one. The Woolnorth Wind Farm is getting a bit old and tired, the turbines are going to need replacing and it's being considered as we speak. If they were to proceed with upgrades, which they wouldn't just put up the same things again -

Mr DUIGAN - Well -

CHAIR - They might?

Mr DUIGAN - Well, in terms of -

CHAIR - Let's presume that they would want to be more efficient. One would think these are pretty old.

Mr DUIGAN - Yes, and if you replace like-for-like you can basically just go and do it.

CHAIR - Put in less.

Ms O'CONNOR - In the corridor, or?

CHAIR - Woolnorth wind farm, we're talking about.

Mr DUIGAN - Well, for the wind farm, if you replace the 3 MW wind generators with 3 MW wind generators, as I understand it, it's a very straight forward thing to do. But if you wanted to go bigger, you'd have to go through the approvals process.

CHAIR - But if they wanted to maximise the opportunity and put in bigger ones - there may be fewer of them, but they might be bigger - if you're going to make that investment, you'd hope to generate a bit more otherwise - anyway, I'm not the person considering how that might stack up.

Dr McGOLDRICK - If I could just comment. Everybody at that larger scale load and generation who connects to our network has a connection agreement and they have provisions in that connection agreement. If the -

PUBLIC

CHAIR - For a certain amount of load?

Dr McGOLDRICK - For a certain amount of load and other technical parameters. If they keep to those parameters, they can do what they can do on their site.

CHAIR - The point I was going to -

Dr McGOLDRICK - If it changes then they have to make an application to us, and we have to go through a process to make sure it is fit to connect to. If we need to reinforce the network, we will inform them, and they will have to pay for that if it's generation.

CHAIR - Yes, so my point is, where I was trying to get, was if they did work at a similar time as Robbins Island, say if they were building together, you wouldn't want them building two lines running parallel from that part of the estate to whatever the connection point might be, whether Hampshire or Burnie, whichever. If they were both going to require an upgrade, could the cost be shared between them and at what point does it become part of the regulated asset base?

Dr McGOLDRICK - I will give an initial answer and then I will hand to Chantal for the detail. Obviously, we're all about the efficient use of our existing assets or, if we have to connect to our assets, we want to make sure that it's a good connection. If proponents wish to cooperate with each other and build transmission together to service one purpose, that's fine, we will work with them to do that. But we're agnostic on which projects and it's up to them to cooperate together in this regard.

I can't pick winners or losers. My role as a jurisdictional planner and regional operator, under the National Electricity Rules, dictates that I have to be neutral in this regard. I don't get involved in picking technologies, picking winners, or deciding which development path is best for which site. They make those decisions and if they come to us with a cooperative arrangement, we will find a way to make that work. I would like to hand to Chantal.

CHAIR - When does it become part of the regulated link, assuming it's built?

Dr McGOLDRICK - I think Chantal will be able to give us an answer on that one.

Ms HOPWOOD - Obviously, if we had multiple connection inquiries, we would look to streamline what we build in order to have minimised cost to Tasmanian customers and also to the proponent. So we would certainly look at coordinating that component. All of it depends on timing and different connection characteristics required, but we'd certainly look at streamlining as best we could.

CHAIR - Then when it's finished, does it become part of the regulated asset base?

Ms HOPWOOD - If this particular trigger, as I mentioned before, was hit and we passed all the net benefit assessments, then it would, yes.

Dr McGOLDRICK - But the connection asset itself, the bit to reach our part of the core network, that's always the cost of the generator, I'm thinking, right?

PUBLIC

Ms HOPWOOD - Yes, of the connecting customer, correct; the dedicated assets they pay for themselves.

CHAIR - But if you have two or three proponents who all feed into the same new line - how is that dealt with by the regulator?

Ms HOPWOOD - If we talk about Burnie to Hampshire Hills, for example: if we meet that trigger point to progress investment, which is the 100 MW of generational load, the backbone component is demonstrated to have net benefit, enough that the Tasmanian customers would have that as part of our regulatory asset base, should all those hurdles pass. As Seán mentioned before, the dedicated connection assets are single-use assets to connect to a portion of that line and would be paid for from that proponent.

CHAIR - So, an asset that two or three proponents used would still be considered a single-use asset, would it?

Ms HOPWOOD - No, as long as it met that trigger amount of the 100 MW of connection and we could demonstrate net benefit to the wider customer base, it would be a regular asset. It all comes back to that trigger point.

CHAIR - Sure.

Mr WESTENBERG - Through the minister, I'm just going to clarify - I think when you talk single-use, we're talking about we're building a line potentially, and the assets if they happen to be 20 kilometres from that line, they would be responsible for connecting into that. That's what we mean. They would pay for that component; we would only be considering the regulatory -

CHAIR - And the cost of looking after that component is only the part that -

Mr WESTENBERG - The single-use one?

CHAIR - TasNetworks own and regulate, that would pass through.

Ms HOPWOOD - Correct.

CHAIR - So components, even if there's more than one, would have to cover the cost of the operation and maintenance and everything of the line to the point of connection?

Mr WESTENBERG - Yes, to the point of connection.

Ms HOPWOOD - Yes, the dedicated assets they look after, correct.

CHAIR - Sorry, just to help me understand here, I get asked a lot of questions about this.

Dr McGOLDRICK - It's really a story of two halves. They are responsible up to our core network and we would dictate the standard of connection. But how they build it, who builds it for them, what they pay, how they operate and maintain it is up to them. Once they perform technically and if the regulated asset needs to be changed or enhanced or strengthened once it passed the RIT-T test, then we build it and we make sure that it is performing adequately

PUBLIC

and the costs are recovered from all the customers in Tasmania, because it passed the RIT-T and it seemed to have an overall benefit beyond that cost.

Mr GILL - Of course, the challenge is that you don't want costs being passed through to communities all over the country. That's why we've spent the last 20 years with a regulatory regime whose major focus is impact on customers and ensuring that we don't spend money on unnecessary transmission, unnecessary augmentations both within a transmission business or for a new customer or load.

Ms O'CONNOR - Equally, we don't want transmission lines laced all over the island either, do we? Given that we are the most beautiful place in the country.

Mr GILL - Yes, and that's why -

Ms O'CONNOR - Sorry, but that's one of the things that wasn't picked up before - like how it's built, how its paid for, but the 'where' wasn't addressed in that statement. I know we talked earlier about the most efficient path, but the 'where' of it is an outstanding question, I think.

Mr GILL - That's why this planning statement of ours is a really useful look forward to who's interested, even if they haven't put an application yet; who's interested from a load; who's interested from a generator? What are some of the scenarios that might lay out as to how we might augment the system, so that people can look at what the concerns would be about that? We're trying to be as open and transparent about something which doesn't have definitive points that you can put in the ground and say that's exactly will happen.

CHAIR - That's why people get anxious and nervous.

Ms O'CONNOR - Because it's sort of -

Mr GILL - Yes. We're trying to do right by -

Ms O'CONNOR - Seems like a bit of a free-for-all, potentially.

Dr McGOLDRICK - We're trying to balance the public information and the right for public information and knowledge, versus our distinct obligations on the National Electricity Rules and balance again, the impact on community and making sure that we mitigate and minimise that impact. We're trying to do all three. That's our job; that's what we do.

Each of these developments that may occur are talked about in a technical sense in the annual planning report, but it also gives good sight to national bodies as well about the AER or AEMO, what the development of Tasmania might look like from a power system point of view. We do share these with our community customer action group, our advisory group and our stakeholder advisory group - indeed, we're meeting them on Wednesday in Devonport. We share with them on a regular basis what these plans and impacts may have, so that we get early feedback from a wider part of the community as well.

Ms O'CONNOR - Thank you.

Mr DUIGAN - Chair, I believe we have some answers to questions.

PUBLIC

Mr WESTENBERG - Yes, one of the questions that was asked in relation to the \$88 million for the transformation program. Holistically, we did monitor each line of the transformation program, that's about 18 or 17 initiatives. Out of the \$88 million, we didn't specifically break down operating costs and capital. However, what we did do as part of the regulatory proposal that starts in 2024, is we committed a 3 per cent reduction in our operating expenses. Normally, as part of the AER's process, they look for a 0.5 per cent reduction, so that was something that we proposed in addition to that. Off the top of my head that's around about \$6 million to \$8 million a year I think we would need to save. Obviously last year we didn't do that based on some of the one-off costs that we've talked about earlier, but that would be about the proportion.

A large proportion capital cost because, for us, capital costs end up costing the consumer if we overspend our capital. It's about what we call TOTEX or a total saving for the business, but it was included in our regulatory proposal as a 3 per cent reduction.

Ms THOMAS - So, was there a target?

Mr WESTENBERG - The target was the 3 per cent.

Ms THOMAS - Back when the modelling was done for the transformation program?

Mr WESTENBERG - There was a target for - opex do you mean or for total? The 3 per cent?

Ms THOMAS - Yes, that was the target?

Mr WESTENBERG - Yes, that was the 3 per cent. Again, we've been very open around the one-off costs we've had this year, not that we want to go through and start backwards removing those, but we felt we were roughly on track if we didn't incur those large costs last year.

CHAIR - Can I ask one question if no one else has a burning one?

Ms ANDERSON - I do have some other answers to some of the outstanding questions. One of the questions around the split of operational versus corporate roles pre-transformation and now: pre-transformation, the split was close to 45:54, so about 45 per cent operational. Now, the operational -

Ms LOVELL - In field staff?

Ms ANDERSON - Well, operational includes - we have our telco staff who are also field staff, our warehouse employees, so there's a large group of people that we include as, I guess frontline, for want of a better term. That split now is closer to 60 per cent operational and 40 per cent for the rest.

Ms LOVELL - Thank you.

Ms ANDERSON - There was also a question around any formal FIFO arrangements. We have one employee who is on what you would say fly-in-fly-out. That is a person who's employed on the North West Transmission Developments project. He's based in Melbourne

PUBLIC

and he's flown down to Tasmania on TasNetworks' expense as needed; that arrangement's in place given his critical skills, particularly in technical and project management. That's the only circumstance of that arrangement that we have in the business.

I wanted to clarify through you, Chair: Ms Thomas, I wanted to understand your question around the redundancy total of transformation, which is about \$22 million, versus the termination benefits that are in the financial statements; I think that was your question, apologies, and there being a mismatch in that figure.

CHAIR - It was a breakdown.

Ms LOVELL - I think you did ask for some more information on that one, Bec, didn't you?

CHAIR - It was a breakdown of the costs of people leaving work. What is the total amount spent on termination payments since 2022; what component of this is redundancies - a breakdown?

Ms ANDERSON - I wanted to clarify: the termination benefits, we can now work that out. The benefits, as per the annual report, include particularly annual leave, long service leave payments and that's for anyone who's left the business, not just through redundancies, which is why the redundancy figure looks a bit different. I wanted to clarify, we will get the breakdown of information.

Ms THOMAS - Okay, and hopefully it's clear when it comes through in our correspondence to you.

Ms ANDERSON - Yes.

CHAIR - One quick thing, the community batteries - might need to do a little spell check, Shorewell is usually spelt with 're' in the middle. A lot of people in Burnie wouldn't be happy to see 'Showell'.

Mr DUIGAN - Where are you getting this information?

CHAIR - From your annual report.

Mr DUIGAN - Detail.

CHAIR - Yes, it stood out like the proverbial to me being in my electorate.

Dr McGOLDRICK - Well spotted. Our apologies. We will correct that.

CHAIR - Yes, you will correct that for next year, won't you?

Dr McGOLDRICK - Shorewell.

CHAIR - You're applying for ARENA funding for six more community batteries. Are they actually being cost effective, the ones that are there? If they are, why would you need to have additional funding for them?

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Mr DUIGAN - I think we have good news in all regards, but happy -

Dr McGOLDRICK - I will start out, and then some of the team will provide some more detail. We have two that we've installed at the moment, one north, one south -

CHAIR - One in Shorewell.

Dr McGOLDRICK - One in Shorewell, one on the eastern shore - closer to my heart, perhaps - and both of those are proving successful. We are very keen to continue the application of community batteries for different technical reasons, in different parts of our network. One thing that we're pausing to consider for the moment, and we have good grants programs, and we're working on engaging with different communities, but we're also mindful that we've had a change in federal level in the grants program, so we've seen a significant uptake of batteries at a household level in recent months since July. We would have been processing maybe tens, up to maybe 50 batteries a month; we're now up to 230 batteries a month, which is great.

Ms O'CONNOR - Terrific.

CHAIR - What sort of batteries: a variety?

Dr McGOLDRICK - A variety, but they're on the household level. They're obviously a smaller scale than the community batteries we're talking about, but we're pausing for the moment to make sure that we're balancing correctly. We're doing the technical calculations, but I think we will still be going ahead with the remainder of the batteries to be put in different parts of our system. These are good trials because they allow us a higher degree of penetration of household renewable energy and they allow us to operate the system in a more resilient manner. So there are good reasons for doing these, but we want to make sure that economically it stacks up, given that we've lots of batteries arriving at a household level. I will hand over to the team for any more details on the batteries.

Mr WESTENBERG - In relation to the question on why we would be seeking ARENA grants, without being specifically involved in the details, for areas such as this where there is a question mark over the investment and how you utilise that in the future, you want to take advantage of grant funding if you can. So you ensure that you're not investing money under the regulatory regime that would potentially not be deemed as prudent and that efficient. But certainly, with a number of our trials at any point once we understand whether that then stacks up, it actually provides us an ability to build a case as we move forward into our next regulatory proposal, to put further investment into those areas that we would then use regulatory funding to do.

CHAIR - Alright. We will wrap it up now. It's 6.30 p.m. It's been a long day for us, particularly and you, a little bit. Thank you for your time. We will write to you with the outstanding questions on notice. Thank you for your time today, minister, and your team.

Mr DUIGAN - Thank you, Chair. Thank you, committee. Thank you, all.

The witnesses withdrew.

The committee adjourned at 6.31 p.m.

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