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24 MAR 2026

Hon Ruth Forrest MLC
Chair
Joint Select Committee on Energy Matters
energymatters@parliament.tas.gov.au

Dear Ms Forrest,

Thank you for your letter of 8 March 2026 regarding additional information sought by the Joint Select Committee on Energy Matters following my appearance on 24 February 2026. I am pleased to provide the following responses.

Question:

1. The forward estimates in the recent Tasmanian Budget assume that Hydro Tasmania will deliver profits of around \$423 million in 2028-29; before Marinus Link will come online. In this period of transition, where Tasmania is reliant on a constrained Basslink, and under regulated Basslink interstate trading, revenues no longer flow to Hydro since the agreement has ended and Basslink will be regulated in this period.
 - a. On what bases are Hydro Tasmania delivering profits of around \$423 million in 2028-29 in your forward estimates in the Budget?
 - b. What advice have you received explaining how Hydro Tasmania achieves delivering profits of around \$423 million in 2028-29 in the Budget's forward estimates without them coming from Tasmanian customers? (see pp. 59-60 of the hearing transcript)

Answer:

At the outset, I note that the profit estimates for Hydro Tasmania included in the Budget and Forward Estimates are those of Hydro Tasmania. They are developed through the organisation's corporate planning and annual budget processes, endorsed by its Board, and provided to Shareholding Ministers as part of the standard shareholder governance framework. Treasury reviews these forecasts to ensure they are reasonable and consistent with broader market and economic settings, but the projections remain those of the entity.

Hydro Tasmania's Forward Estimates reflect its own assessment of operating conditions, hydrological assumptions, market settings and commercial strategy. The corporate plan draws on a range of factors, including but not limited to:

- assumed average rainfall and associated hydropower generation;
- planned asset availability;
- expected NEM price paths and volatility;
- the strategic value of flexible hydro generation as thermal generation retires; and
- the progress of its major projects.

A key feature of the outlook at that time was the expected step-up in market volatility in 2028-29 associated with the assumed closure of the Yallourn coal-fired power station in Victoria. Hydro Tasmania's modelling suggests that this creates opportunities for higher wholesale market revenues.

These factors form the basis of Hydro Tasmania's assessment of its financial outlook and are reflected in the forecasts that underpin the Budget.

Importantly, whilst the forecasts reflect Hydro Tasmania's assessment of broader NEM conditions and its commercial position as a flexible renewable generator, Tasmania's regulated standing offer framework continues to protect small customers. This framework sets a regulated maximum price for electricity and the forecasts assume this arrangement remains unchanged across the Forward Estimates period.

Question:

2. The Whole of State Business Case (WoSBC) includes a dedicated discussion of customer bill impacts (Chapter 7). Can you clearly distinguish, for the bill outcomes presented, what is a modelling assumption versus what is a firm policy commitment, particularly around rebates/credits and the intended pass-through of any concessional finance benefits? If these rebates or pass-through arrangements are not fully settled, what is the "no rebate /no pass-through" sensitivity shown in the WoSBC?

Answer:

The WoSBC's bill-impact results in Chapter 7 rely primarily on modelling assumptions, not settled policy decisions, regulatory outcomes or final project costs. The only element that can be characterised as "firm" (in the sense of existing approved policy) relates to existing Government concessions that continue irrespective of Marinus Link (e.g. pensioners, Health Care Card holders). These concessions apply irrespective of Marinus Link's construction and therefore were excluded from bill-impact comparisons.

Other rebates or transfers are assumed for modelling purposes only. For example, the WoSBC assumes that the Renewable Energy Dividend (RED) program does not apply after 2024-25, because Hydro's Corporate Plan profit projections at the time of preparing the WoSBC were insufficient to generate RED payments and the scheme is due for review in 2028.

Instead, the WoSBC assumed the RED was replaced by the Tarraleah concessional-finance rebate. The WoSBC assumed this was delivered as an annual fixed rebate to all residential and business customers (excluding Major Industrial customers). However, the Tarraleah project is not yet confirmed and as such, no decisions have yet

been made by Government as to eligibility, delivery mechanism or quantum. The Tarraleah rebate was included for pricing purposes because the construction of Tarraleah was incorporated into the Marinus Stage 1 WoSBC scenario.

The WoSBC does not label a specific scenario explicitly as “no rebate” but the document provides equivalent comparisons so the individual impacts can be determined (e.g. waterfall charts include the isolated bill impact of the Tarraleah rebate across various scenarios).

Question:

3. Deloitte’s market modelling for Treasury’s WoSBC states that, unlike the Australian Energy Market Operator’s (AEMO) Integrated System Plan, the Tasmanian Renewable Energy Target (TRET) is not assumed in the scenarios, and that some hydro assumptions deviate from AEMO based on updated information provided by Hydro Tasmania to Treasury.
 - a. Why was the TRET not imposed as a binding requirement in the modelling, and what are the most material Hydro/AEMO assumption deviations that the WOSBC relies on?
 - b. Please provide an explanation on whether those choices materially change the modelling results?

Answer:

The WoSBC explains that its wholesale price and investment modelling modifies the standard AEMO Draft 2024 ISP settings so that the Tasmanian Renewable Energy Target (TRET) is not “forced” in the model. Deloitte’s Electricity Market Modelling report notes that:

“Unlike AEMO’s 2024 ISP, TRET is not assumed under any of these scenarios and sensitivities. This is to understand how Marinus Link may impact achievement of TRET if it is not assumed as a requirement in the model. This modelling approach allows for new generation capacity to be installed in response to Tasmanian market conditions and effect of Marinus Link on the achievement of TRET.”

Accordingly, TRET is treated as an observed outcome, not a binding input. This approach allowed Treasury to show:

- how much additional renewable generation Marinus Link enables; and
- whether TRET is achieved earlier, later, or not at all under different Marinus and No Marinus scenarios.

The Deloitte modelling tracks TRET achievement under each scenario. Under Step Change, TRET is achieved - and accelerates - when Marinus Link 1 and 2 proceed (M1SF and M2SF). Under some Progressive Adjusted scenarios, TRET is achieved later or not at all within the modelling horizon. While TRET is established in legislation, it functions as a policy target rather than a mandated build path; renewable proponents will still make commercial decisions based on project costs, expected revenues, and environmental and planning requirements.

Regarding Hydro Tasmania's generation assumptions, the Deloitte report sets out the detailed basis for the modelling. These assumptions incorporate updated information provided by Hydro for the WoSBC, including specific capacity uplifts at Tarraleah, the West Coast, Gordon, Poatina and, for Stage 2, Cethana. Deviations from AEMO's Draft 2024 ISP are documented in both the Deloitte report and Chapter 4 of the WoSBC (Methodology).

These modelling choices do influence the results. Removing TRET as a binding requirement and applying Hydro-updated Tasmanian capacity assumptions change the timing of renewables development, shift wholesale price outcomes in both Tasmania and Victoria, and alter export volumes and the pattern of new generation builds. These effects underpin the wider modelling insights and provide context for the Hydro-related assumptions used in the WoSBC.

The WoSBC analysis applied the two highest probability NEM scenarios in the Draft ISP - Step Change and Progressive Change - but modified them to reflect specific Tasmanian Government policy positions and updated Tasmanian-specific information, rather than simply adopting the NEM-wide ISP settings unchanged. These refinements were necessary to ensure the modelling captured Tasmania's likely future load profiles, including the potential emergence of hydrogen production or other major industries enabled by Marinus Link. While additional scenarios could have been included, the selected suite was considered sufficient to give Government a robust understanding of plausible future market conditions, noting the cost, time and resourcing constraints in preparing the WoSBC.

Question:

4. Who independently validated or stress-tested the WoSBC's key assumptions and customer-bill impact methodology, outside the project proponents, and what did that assurance process conclude? Please describe any external review, peer review, or governance 'challenge' process that can be disclosed publicly.

Answer:

The WoSBC was overseen by a cross agency Steering Committee established under formal Terms of Reference (WoSBC Appendix 4.2), including an independent peer reviewer, Glenn Appleyard (former Tasmanian Economic Regulator). The Committee guided the Treasury Project Team, ensured rigorous scrutiny of inputs, and secured full participation from Hydro Tasmania, MLPL, TasNetworks and relevant agencies. This governance model provided a structure whereby the key commercial, technical, financial and policy dimensions of the Project Team's findings could be challenged (when appropriate) to test their veracity.

The WoSBC is a Treasury-authored document, prepared in Treasury's capacity as the Government's central economic and financial adviser. The analysis, conclusions and presentation of material in the WoSBC were wholly undertaken by Treasury and was prepared independently of Government direction, ensuring that Ministers received an objective, analytically grounded assessment to support - but not predetermine - policy and investment decisions.

The WoSBC drew on several independently developed modelling platforms, including:

- Deloitte’s PLEXOS based wholesale electricity market modelling, which is independent of Hydro’s modelling;
- CGE economic modelling by the Centre of Policy Studies (Victoria University);
- MLPL’s EY built financial model; and
- Hydro Tasmania’s internal PLEXOS models which are specially tailored for the Tasmanian system.

These models are developed and maintained by their respective organisations and subject to their own validation processes, providing an additional layer of independence.

Hydro provided Treasury with 14 market scenarios - nine internal and five external consultant derived scenarios - allowing Hydro to benchmark and test its internal assumptions against industry-recognised projections and to illustrate the potential spread of future revenue outcomes.

Beyond wholesale-price projections, Deloitte also undertook broader NEM-wide PLEXOS modelling for Treasury to help assess revenue implications for Hydro Tasmania and test the robustness of Hydro’s internal revenue scenarios (including dispatch outcomes, price spreads and generation profiles).

Section 4.2.6 makes clear that Treasury did not audit or independently quality-assure the underlying models. These models are extremely large and highly complex, many having been developed over years with specialist tools, datasets, optimisation engines and deep domain knowledge. As the WoSBC notes, Treasury reviewed models at a “high level for reasonableness” and it would be neither feasible nor proportionate - given the time, cost and specialist expertise required - to re-build, independently replicate or externally audit the full suite of modelling used by Hydro Tasmania, MLPL or TasNetworks. Model interpretation and accuracy remain the responsibility of the businesses and their consultants. Several models were provided in draft form with legal disclaimers restricting reliance by third parties.

The WoSBC highlights that:

- it relies on complex models, some custom, some “off the shelf”;
- key project inputs were still being finalised at the time;
- Treasury’s scrutiny prompted multiple modelling iterations, demonstrating the sensitivity of results; and
- model outputs are indicative rather than definitive, given uncertainty, simplifications and model error.

Although Treasury did not audit the models, it challenged and tested them extensively. Treasury identified issues of internal consistency and accuracy and sought multiple updated model runs from the businesses. Treasury also conducted its own sensitivity and

scenario analysis to test the robustness of results before deeming them “reasonable for the purposes of the WoSBC analysis.”

It is also important to note that the Boards of Hydro Tasmania, MLPL and TasNetworks are responsible for their own modelling, validation processes and separate business cases. Each business uses its own governance and assurance frameworks, including internal audit, specialised modelling teams, independent commercial and technical advisers, and Board level oversight of major investment decisions.

In addition, the Australian Energy Regulator (AER) conducts its own comprehensive, multi-stage assessment processes of both TasNetworks’ and MLPL’s regulatory models. These processes involve thousands of pages of submissions, interrogation, draft and final decisions, independent expert reviews, and public consultation. This regulatory scrutiny, required under the RIT-T, revenue determinations and contingent project assessments, provides a further independent layer of assurance over the modelling used by TasNetworks and MLPL, entirely separate from the WoSBC.

For customer bill impacts, the WoSBC combined Deloitte’s wholesale-price modelling, TasNetworks’ transmission-price modelling, and Treasury’s treatment of Government rebates (including the Tarraleah-related rebate). Consistent with Chapter 7 and the WoSBC limitations, these results are indicative only and heavily dependent on wholesale price trajectories in Victoria.

Overall, the WoSBC treats modelling as an input to judgement, reflecting its status as a point-in-time assessment intended to inform - not determine - Government decision-making. For this reason, the WoSBC did not make a specific recommendation on whether to proceed with Marinus Link Stage 1 but instead provided the analytical foundation for Government decision making.

Question

5. The WoSBC combines network charges with wholesale-market modelling to discuss net customer impacts. What is the exact public methodology used to translate:
- a. market modelling outputs (wholesale price/dispatch results) into retail bill outcomes, and
 - b. regulated tariff mechanics (standing offer/OTTER methodology) into projected customer impacts?

Please explain how the WoSBC avoids double counting (or omission) and where those steps are documented.

Answer:

Wholesale price forecasts from Deloitte’s PLEXOS modelling are converted into the wholesale energy component of Tasmanian regulated retail tariffs on the basis that:

- Tasmanian wholesale contract prices reflect modelled Victorian wholesale spot price trends; and

- Regulated retail tariffs incorporate those contract prices as per existing wholesale-pricing regulatory settings.

These wholesale-energy components are applied to representative customers (residential: 7 932 kWh; small business: 20 000 kWh) to produce the wholesale price contribution to annual bills. The analysis compares with and without-Marinus wholesale price outcomes, yielding the wholesale price component of bill differences.

This process is undertaken for the various WoSBC scenarios (Progressive Change, Step Change, Stage 1, Stage 2) ensuring consistent treatment of load, network and wholesale assumptions.

The WoSBC emphasises that the bill impact analysis is not intended to replicate a full OTTER standing offer determination. Instead, it

- holds distribution prices constant;
- applies TasNetworks' modelled transmission charges, and
- as outlined above, links wholesale prices to modelled Victorian prices as per the current wholesale pricing regulatory framework.

The analysis uses a “before and after” method, comparing modelled future bills to the 2024-25 estimated bill for each customer class. It does not construct a full retail tariff model, because the purpose is to isolate marginal Marinus-related impacts rather than forecast full retail bills.

The WoSBC avoids double counting by separately calculating:

- transmission price impacts (TasNetworks modelling);
- wholesale price impacts (Deloitte modelling); and
- the Tarraleah related rebate (Treasury modelling as a distinct offset, noting this is yet to be confirmed as a policy outcome as explained in the answer to Q2 above).

These three elements are then combined to show net bill impacts, with the decomposition for residential customers shown explicitly in Figure 7.18.

The methodology is fully documented in:

- Section 7.2 - Approach to customer price impacts
- Section 7.4 – Transmission price impacts
- Section 7.5 - Wholesale price modelling
- Section 7.6 - Rebates
- Section 7.7 - Combined bill impacts

Question:

6. The forward estimates for Hydro Tasmania's profits were prepared around twelve months ago for the first version of the 2025-26 Budget.
- a. What did the forward estimates assume about inter-regional revenues after 30 June 2025, when the Network Services Agreement with APA expired and Hydro lost its contractual entitlement to those revenues?
 - b. What did they assume about inter-regional revenues after 1 July 2026, when Basslink becomes a regulated interconnector and those revenues cease to flow to Hydro Tasmania entirely?
 - c. What price for Large-scale Generation Certificates did the forward estimates assume, and has that assumption been revisited given current market conditions?
 - d. Given how materially each of those assumptions affects Hydro Tasmania's projected profitability, have the forward estimates been updated, and if not, why not?

Answer:

The Forward Estimates for Hydro Tasmania were prepared, as is standard practice, through the entity's corporate planning and annual budget processes and then incorporated into the State Budget. The detailed commercial assumptions that underpin Hydro Tasmania's planning and financial outlook are matters for the company. Accordingly, Hydro Tasmania is best placed to respond to any detailed questions about those assumptions.

What I can comment on is that the Budget and Forward Estimates for Government businesses are prepared annually and then updated through the Revised Estimates Report released mid-year. Any changes to Hydro Tasmania's outlook, including updates to underlying assumptions, are incorporated through Hydro Tasmania's corporate planning cycle and then reflected in the normal Budget preparation and update processes.

In line with this well-established framework, any material changes in Hydro Tasmania's operating environment or assumptions will be considered by the company in the preparation of its upcoming 2026-27 Corporate Plan. These updates will flow through to the 2026-27 State Budget as part of the forthcoming Budget cycle.

Yours sincerely



Hon Eric Abetz MP
Treasurer