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THE JOINT SELECT COMMITTEE ON ENERGY MATTERS MET IN COMMITTEE ROOM 1, PARLIAMENT HOUSE, HOBART ON MONDAY 23 FEBRUARY 2026.

The Committee met at 9.28 a.m.

CHAIR (Ms Forrest)- Thank you to Seán and the representatives from TasNetworks for appearing before the Energy Matters committee. The purpose of these hearings is particularly to look at Marinus Link and the Whole-of-State Business Case - implications for TasNetworks in all of that.

By way of background, we were going to investigate this matter last year and then the early election was called and so those matters couldn't be progressed. The committee has resolved to continue that work predominantly to focus on those matters, but there may be other matters related to TasNetworks that are relevant to the committee's inquiry that we will also pursue.

I'm sure you're aware of parliamentary privilege and all those matters. I don't need to go back over those again. If I can ask you all to take the statutory declaration and if you want to introduce yourselves. Then, Seán, if you wanted to do an opening statement, we can move on from there. Thanks.

Mr SEÁN McGOLDRICK, CHIEF EXECUTIVE OFFICER, **Mr MICHAEL WESTENBERG**, EXECUTIVE FINANCE AND REGULATION, **Ms RENÉE ANDERSON**, EXECUTIVE PEOPLE AND STAKEHOLDER, and **Ms CHANTAL HOPWOOD**, EXECUTIVE GOVERNANCE, TASNETWORKS, WERE CALLED, TOOK THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR - If you can introduce your team and then make a statement.

Mr McGOLDRICK - On my right, Renée Anderson, the Executive of People and Stakeholder; Michael Westenberg on the left, Executive Finance and Regulation, and then I have Chantal Hopwood, who is Executive Governance.

Just an opening statement from me. Thank you for the opportunity to appear before you once again.

TasNetworks exists for one reason: to serve Tasmanians. Every decision we make is anchored in our priorities of safety, reliability, affordability, and preparing Tasmania for a stronger energy future. We work every day to keep Tasmanians' network charges as sustainably low as possible and we are proud to give Tasmanians a strong, reliable network that uses the best of modern technology.

We respond 24 hours a day, seven days a week, with skill and determination in virtually any conditions to restore power and support the communities we serve. We connect Tasmanian homes, businesses and developments as efficiently and cost-effectively as possible, investing hundreds of millions of dollars each year back into the network while keeping our business secure and sustainable. We provide the power for the activities Tasmanians love and the local

economy that sustains them. We innovate, problem-solve and plan ahead for the future security and prosperity of Tasmanians, most notably through our north-west transmission upgrades.

We provide a safe, secure and supportive workplace and livelihood for about 1000 Tasmanians and their families, each year welcoming new cohorts of apprentices and graduates who represent the future of our industry.

Those are our motives and motives that are defined by Tasmanians and by listening to their priorities. Tasmanians have a direct role in our decision-making through our Customer Advisory Group and Stakeholder Advisory Group. These groups have independent leadership, bringing us much closer to the views and priorities of ordinary Tasmanians.

As ever, affordability is still customers' biggest concern, especially amid the inflationary pressures of recent years. TasNetworks' network charges account for about one third of a typical residential or small business power bill. Over the past decade TasNetworks has a steady record of reducing charges, including a 20 per cent reduction in 2017-18. We're working very hard to be efficient and to deliver what Tasmanians need.

We're investing and preparing for a much-changed energy future. The transition from fossil fuels to abundant clean energy relies upon building more electricity transmission and, like all transformative infrastructure, there's always an upfront investment cost that's needed. Electricity networks are long-life assets and their costs are recovered over time. What protects households and businesses is the regulatory framework.

The Australian Energy Regulator exists precisely to ensure that customers, Tasmanians, do not pay any more than is necessary. It also exists to manage the prudent and efficient investment in our energy system for the future. In their scrutiny of every major infrastructure investment, the AER balances affordability with the delivery of essential infrastructure. The question before us, therefore, is not whether infrastructure has a cost. The question is whether Tasmanians are better off with this infrastructure or without it.

Project Marinus, the Marinus Link and North West Transmission Developments are designed to put downward pressure on wholesale prices over time by increasing supply and flexibility in the National Electricity Market. Project Marinus will significantly expand the two-way flow of lower-cost dispatchable renewable energy between Tasmania and the mainland. Independent modelling consistently shows that customers will be better off in a scenario with Project Marinus than one without it.

To be clear, I cannot sit here before you and promise that energy bills will never rise. However, I can confidently say that energy bills will be lower than in a world without Project Marinus. Energy costs are influenced by inflation, ageing infrastructure, interest rates, fuel markets, rainfall variability and the retirement of coal generation. Those pressures are real.

Without new transmission and interconnection, Tasmania faces greater exposure to supply constraints, ageing assets and diminished ability to attract investment in our economy. That is not a pathway to lower bills. That is a pathway to higher volatility and higher long-term costs. This is not just my view. This is a fact that continues to be confirmed by regulators, industry, scientific and international researchers. This is about investing in modern infrastructure that strengthens reliability, improves efficiency, increases supply and positions Tasmania to access lower-cost renewable energy over time.

Energy bills matter deeply to Tasmanians; they matter to us. Our task is to fulfil TasNetworks' role in ensuring Tasmania has a secure, flexible and efficient electricity system that minimises long-term cost pressures, particularly for the most vulnerable in our community.

Speaking for the delivery of the North West Transmission Developments, this project is forecast to contribute \$1.4 billion in economic stimulus and, together with Marinus Link, create 1400 local jobs in the construction phase. It is therefore our duty to build North West Transmission for the vast majority of Tasmanians who want the lowest possible future power prices, who want strong action against climate change, who want prosperous clean energy careers, and want Tasmania and Australia to have enough electricity for the future.

In 2025, we appointed the local independent chair to oversee our community benefit scheme and we entered 2026 inviting expressions from local community members in the north-west to join the panel tasked with overseeing the scheme. While the formal launch of the \$10 million Bright Futures Fund is planned for later in 2026, it has already attracted a nomination for best-practice community engagement, having been co-designed from the get-go with local youth and people in the region.

In more general terms, I'm happy to report that TasNetworks has entered 2026 in very strong shape. By implementing recommendations from the post-incident review and independent network outage review of the 2024 storms, we're wiser and better prepared for the climate-driven storms and bushfires that increasingly threaten our network.

Our customer satisfaction rating is trending steadily upwards. That improvement likely reflects on a more service-oriented culture. In 2024-25, we invested a very solid \$272 million in our network, including an embrace of new technology and improved vegetation management. We invested much of that into regional parts of Tasmania where power supply problems are unfortunately more common.

More than 2300 people applied for TasNetworks' most recent apprenticeship program, reflecting our standing as a respected and sought-after employer. Our employed graduate numbers have also increased one third from 2021 to 28. Our very own Holly Frankcombe was recently named Tasmanian Apprentice of the Year and placed second at the national awards. TasNetworks was recognised as Training Organisation of the Year both locally and nationally.

We remain laser-focused on the things that matter to Tasmanians, including tackling cost-of-living pressures and powering a brighter future.

I welcome the Committee's questions. May I add one last housekeeping comment: TasNetworks understands the committee has received unredacted versions of a number of key documents from the Government. We are pleased that the committee has been afforded such visibility and transparency. We ask the Committee to be mindful that TasNetworks has contributed to those documents, but we are not privy to them in their entirety. Thank you.

Mr BAYLEY - Welcome back. Thanks for coming back in. I wanted to go back to some of the basics of your work, which is really fundamental in understanding things, and that's the regulatory investment test applied for transmission projects that cost over \$7 million, as I understand it, and distribution projects over \$8 million. It includes a cost-benefit analysis. Can you start by explaining why projects need to be subject to a test like this if they exceed those thresholds?

Mr McGOLDRICK - For sure. I will hand over to Michael in a moment; Michael's area contains the regulatory group. Part of a regulator's job, as I said, is to balance affordability against the efficiency of the network and the needs of the network. It's pretty typical that there's a certain threshold level set and multiple smaller projects we can get on with and make proper business cases, bring them through our board and so on. But, once it gets beyond a certain level of expenditure, the national regulator, the AER, quite rightly in my view, takes it upon itself to do an independent assessment of whether those projects are appropriate for development, whether they're required and whether they present value for money.

There's a well-worn path where we prepare submissions, in common with other utilities around Australia: we would prepare a submission; that submission would then be assessed; there would be a lot of dialogue between the regulator and ourselves; in many cases a draft decision is then made public and public comments are invited; then the regulator takes those comments on board and then makes a final determination. That's a process that can take some time, but that's the broad threads of it, the reason being they want to make sure that the investments are efficient.

Mr BAYLEY - Can I ask: that's because the costs of that project are passed on to energy consumers?

Mr McGOLDRICK - Correct.

Mr BAYLEY - Is it a case where you might do a regulatory investment test if there's a private developer that's needing a new load, for example? Would you do a regulatory investment test in that context?

Mr McGOLDRICK - I will just say, first of all, that all I said was in the context of what you might call our central network - our network that's shared amongst everybody. For individual connections, either of load or generation, there's a slightly different process. I will pass to Michael and to Chantal to indicate whether there is a regulatory investment test for transmission (RIT-T) for a private development.

Mr WESTENBERG - I think, just to reiterate the CEO's comments in relation to our AER allowance, once our regulatory submission is provided, that gives us a surety of a certain amount of capital investment. For large investments within that component or outside our regulatory allowance, the regulatory investment test-transmission, or what's known as regulatory investment test-distribution process, provides an extra layer of scrutiny from the AER to ensure additional customer engagement, as well as additional visibility and ensuring that those costs are prudent and efficient. Sometimes we may have the money within our allowance, but we would still be required to go through that process that provides that extra layer of scrutiny on top of what we've already gone through, specifically on that project, so that both the Tasmanian community and the regulator get to understand why we are making that investment.

One of the tests is also: is there any what you might call non-network solutions? Is there anything outside of the normal investment in TasNetworks' infrastructure that may possibly give you a solution for that, rather than just investing in the network?

In relation to the customer component, I will hand over to Chantal. Generally, it would look at the customer connection, what component of that might be a regulated connection that

would be borne by TasNetworks and ultimately the Tasmanian community, or what component would be a customer charge and in which case it would be a negotiated connection. Chantal's team looks after those larger connections.

Ms HOPWOOD - I will pick up first in relation to the regulatory investment test for transmission and distribution. The threshold for transmission is \$8 million and distribution is \$7 million, so turn that around. The whole purpose of that is a multiple report process that goes through four different aspects where we have to identify the need of the investment and seek input into the need, identify the options for solutions, land on a solution and then go to the market, as Michael mentioned, to look at the non-network solutions or other network solutions we haven't thought of. It's a process which enables the regulator to scrutinise our project decision-making but, more importantly, it's also stakeholders and customers who are able to put submissions all the way through.

Mr BAYLEY - You need to have clear cost estimates going into that process. Does the process work out and fine-tune the cost elements to it and the cost sharing, or do you need a really clear estimate going into that process and that application process?

Ms HOPWOOD - The cost estimate - because of the first one - is to identify a need and then it's options, and then it's a preferred option and then it's an outcome. Essentially, as you go through that process, all the assumptions are refined, including costs, market benefits because you're narrowing what you are looking at. That happens all the way through.

To your question about private investment, it actually really depends on what kind of private investment we're looking at. If it's an investment that's driving a significant amount of network augmentation that over-hits those thresholds, then we would have to do a regulatory investment test and, holistically, that doesn't kind of separate negotiated service aspects from shared network. We would assess the whole gamut of the project.

Mr BAYLEY - By way of example, the Macquarie Point Development Corporation has come to TasNetworks with a load request and an idea of what they need. TasNetworks has come back and said, 'We don't have capacity to deliver that around the network now'. Does that mean the regulatory investment test will look at that project and make a determination on shared benefits and how that is then allocated, or how is that managed?

Mr McGOLDRICK - Specifically on that, we are going through the early stages of a connection application, connection inquiry, connection application for the Macquarie Point precinct, if I could say. There's one part to do with the stadium. There's another part to do with the surrounding developments associated with businesses in the area. That's part and parcel early days working through that application.

Mr BAYLEY - You've received that application?

Mr McGOLDRICK - We've received, I believe, an inquiry, but I will hand to Chantal in a second to give you the specific details of it that we have at this stage.

What I'd say is there's a long road here. We have to go through an assessment of what load might be required, what existing infrastructure we have, what infrastructure has to be developed. We have to coordinate that with multiple infrastructure providers because obviously there's a need for water and telecoms and other things into that site, so it's a matter of

coordination. Then we go and do some outline design - we do some detail design and then we provide a quote. There's a road ahead here, but that process, as I understand, has begun.

I will hand over to Chantal to give you some of the information we have current at the moment.

Ms HOPWOOD - At this stage we haven't received a connection application. We're going through the connection inquiry phase, which is pre-application. In order for us to be able to commit to going through a regulatory investment process, given that costs money to do all those assessments, we do usually rely on a trigger point of an application rather than inquiry. We're yet to commence that process.

Mr BAYLEY - How long does that process take?

Ms HOPWOOD - Normally it takes 12 to 18 months.

CHAIR - Who pays for that assessment process?

Ms HOPWOOD - That normally comes out of our allowance. It's allocated through the regulator to do project assessment components.

Mr BAYLEY - For example, if TasNetworks has given advice a certain infrastructure requirement is needed - for example, a new substation - do you then need to wait for the proponent to confirm that's part of the proposal before the regulatory investment tests start? Or do they need to give you a confirmation of all elements you advise to be required as part of the project before you can start that test process?

Ms HOPWOOD - If we're talking about project elements on our network, what we need from the customer is firm commitment to proceed for us to prudently and efficiently, obviously, go through the process of a writ. We don't need the customer so much to confirm our design on our own network because our planning engineers do that and we work through what is required. But we do need load confirmation and what we call a financial investment decision on behalf of the proponent, whoever that may be.

Mr BAYLEY In terms of the elements that the community is being consulted on, are things like disruption one of those? For example, disruption in terms of the construction time and route of a network upgrade, is that something the public is allowed to comment on?

Mr McGOLDRICK - Far be it from us to curtail what the public comments on. It's an open process; the regulator marshals that process. I know they draw a very broad brush on this, but, typically, the matters at hand that we've seen comments on other projects would be the need for the project, the cost of the project, whether appropriate alternatives have been considered, and the timing of the project. Those are matters that would be to the forefront in any regulatory investigation or examination of this.

Comments are widely sought, so there's no inhibition, or prohibition in people commenting on matters. Again, if I can ask Michael.

Mr WESTENBERG - Adding to what the CEO just said, in relation to that, obviously, we discuss any pricing implications - if there is or isn't pricing implications for a particular

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investment. This would relate to again - once we understand what the need is and looking at those options - what type of requirement the Mac Point development would have. We are a signatory of the Mac Point precinct development access and coordination arrangements. That is where a number of the infrastructure providers like ourselves have been working together to understand more holistically what the project may require.

Mr BAYLEY - Do you have a timeline on when you expect that application, and have you given a cost estimate of the works?

Mr WESTENBERG - I'm not aware of a timeline that we would get a specific inquiry.

Mr McGOLDRICK - No, that's up to the customer effectively to decide. Of course, the more notice and time we have to do this, the better. As in all developments, we'd be very keen to move from an inquiry phase into an application phase as quickly as possible so we can do our detailed work. As of yet, we've had no application and because we haven't had an application, we have not made a cost estimate.

Mr BAYLEY - To be 100 -

Ms FINLAY - Chair.

CHAIR - Yes, Janie?

Ms FINLAY - Sorry, Vica, I thought you had finished. Could I ask a question on this when Vica's done?

Mr BAYLEY - You go Janie, I will collect my thoughts.

Ms FINLAY - To change the scale of the question, so a similar question but about different size projects. I've had a fair bit of feedback about the upfront costs to smaller projects on considering where they will be a customer where the current network doesn't meet their needs and they might need extra infrastructure on their site on two elements: one is the upfront cost for the design's application process and the other is the upfront cost for the actual delivery of the infrastructure. Both are well in advance and at the beginning of a very lengthy process. The first one is about the design and the preparation work.

One - questions have been asked of me regarding: if, in fact, it doesn't cost you the amount that you take from a customer to do that work, why is there no sort of balancing at the end in terms of refunds to a customer if it hasn't taken as much as you quoted the customer?

Two - the upfront costs to a project that might then not be delivered for six, 12, or 18 months. I'm wondering if there's a quick comment about that. These are light industrial, small commercial-scale projects that seem to have challenges concerning upfront costs, and understanding of the openness and the transparency of all those costs and how they're allocated -

CHAIR - We will let Seán answer that, Janie.

Mr McGOLDRICK - It's unfortunate, but if a development does not go ahead - and we're very keen for developments to go ahead - but if it doesn't go ahead, we actually do have

costs in that we've carried out the work, we've carried out the studies. We try to maintain - we try to do so as smoothly and as reasonably as possible. We don't try to spend money when we don't have to, but we genuinely have real costs that we have to recover. So, that's the first thing, even if a project does not go ahead. It's much better for us all if it does go ahead.

With respect to design costs and construction costs, obviously these are two different categories of cost. The design costs are relatively small. The construction costs are the larger element. There's usually about a 90/10 split there. Ten per cent would be your design cost, and, very broadly, 90 per cent would be construction, depending on the individual requirements. We are quite well regulated in this, and we have to make sure that we're charging prudently. I will hand over to Chantal to provide a bit of a flavour of the process that we go through when we're dealing with a customer in this regard.

Mr WESTENBERG - I might just add a couple of components. By the sounds of that question, it probably relates to what we call 'negotiated connections'. There are a couple of things that we've focused on. Firstly, we are currently undertaking further work on streamlining the timelines for those negotiated connections, which I think was mentioned. Also, how do we ensure that we can provide a little bit more upfront visibility? We get a lot of inquiries where people are really just testing the water to understand what that connection might cost. It does take quite a lot of work on our side to understand that cost.

In relation to some of those costs that are involved: there is a cost for us to design it. We then provide those quotes. The other component of it is, there is sometimes quite long lead times, as you can probably imagine, particularly with items such as transformers. There is a lot of demand across the globe. In many cases, if we're trying to secure a particular type of infrastructure, that transformer could take 12 months, et cetera, if we don't have it in stock. We are focused on those components. If that connection requires augmentation to the network, that then becomes a discussion or an assessment of what the customer would pay for versus what would be an augmentation to the network.

Mr BAYLEY - If you halve that split, can half of it be subject to a regulatory investment test?

Ms HOPWOOD - I'm going to assume in this case that we're probably talking about distribution-connected customers, Janie, rather than transmission. The negotiated aspect of distribution is - just to make it more complicated - quite different to transmission. If there is shared network augmentation, as in upstream augmentation, or specific network extension under a distribution connection, there's actually set unit rates that we need to apply.

CHAIR - To whom?

Ms HOPWOOD - For the customer connections. Rather than a negotiation, as you implied, there are set regulated rates which say for this amount of additional capacity as a connecting customer you will pay this amount of dollars. They're set and then we have to -

CHAIR - What's that rate? What's passed on to the proponent who needs the additional loan -

Ms HOPWOOD - Yes, they would pay that rate.

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CHAIR - What is that rate?

Ms HOPWOOD - We can find it out. It's a capacity rate.

Mr WESTENBERG - Yes. It would probably depend on what is that specific connection.

Ms HOPWOOD - Yes, it builds into the quote - we can take that on notice -

Mr McGOLDRICK - We'd be happy to take that on notice and provide -

CHAIR - It's not a percentage then of the total cost or anything?

Mr McGOLDRICK - No. It's something amount of capacity, but we will be happy to provide the committee on notice that -

Ms FINLAY - And is that a set rate for both that 10 per cent and the 90 per cent, so for the design part of it and for the delivery part of it?

CHAIR - Construction.

Ms HOPWOOD - The construction. It's certainly set rates for the augmentation and extension components. I'd have to take that on notice and the detail around design.

CHAIR - Okay. We will move on because we have a lot of other areas to get to and we've spent a lot of time on this. I'm going to move on.

Mr BAYLEY - Can I just ask one more on that just to clarify? In terms of those costs that you were just going to feedback, if it's a regulatory investment test, that's a completely different framework entirely in terms of those costs being accumulated by TasNetworks but passed on?

Ms HOPWOOD - It really depends on what service we're providing. How we build up a cost for an option under the regulatory investment test is we do a project estimate cost rather than looking at capacity augmentation rates. That's probably the distinction between the two.

Mr BAYLEY - And then at the end of the day, the AER, the regulator, signs off on that regulatory investment?

Mr McGOLDRICK - Once it's above a certain threshold in distribution, \$7 million.

Ms HOPWOOD - I will just correct that. The AER doesn't actually sign off. You won't see a particular sign off, but it goes in the public domain and they have the ability to scrutinise it just like customers and stakeholders are able to. It's a decision that we go through a process that's required, yes.

CHAIR - If we can go back to the Whole-of-State Business Case modelling, just in broad terms, the contingent projects and industrial load or hydrogen - whether it goes ahead or not, it's a bit hard to know at the moment - but the assumptions versus the option value, in a Whole-of-State Business Case modelling, to what extent are large industrial loads, including

hydrogen-related demand, treated as assumed, as in the base case, an upside contingent case or explicitly not required in the investment conclusion?

Mr McGOLDRICK - Okay, I will start and have a crack at this. A complicated question. When we make our regulatory submission, it's for a forward period. We're currently in the period 2024-29. We are now working on our submission for 2029 through to 2034 and we will submit that some time ahead of that regulatory period and the process goes through.

In that regulatory submission - in every regulatory submission - we have our basic operation and maintenance, but we also have projects. We've basic capital we have to spend, basic opex we have to spend, but then if we're aware that there may be a project coming up in that regulatory period, we put together what's known as a contingent - we put it into the regulatory submission as a contingent project. We make assumptions about its size, its location, its load, and we put almost a place marker in place so that if it does go ahead - and there are certain triggers - we put, 'This is the project, this is the place, this is an estimate of it, and these are the triggers'. It might be we need the project of a certain amount of load arrives, for example, hydrogen, or if new generation locates in this physical place, so we note that in a regulatory submission.

When a trigger happens - so let's suppose we get an application, a firm application, for a new load in George Town, typically, or somewhere like that. We would then go to that contingent project application and we would then make a full contingent project application. We take it out of the regulatory submission. We go, 'We have this place marker, placeholder, we are now going to make a full application', and that's examined independently by the regulator. We then make a full application.

Recently, the most recent one, the big one, was for the North West Transmission Developments stage 1. That was a contingent project in our most recent regulatory submission. We then went to the effort of creating a full detailed submission, which they assessed and made a determination on. That's the process by which we take -

CHAIR - The reason I was asking, Seán, I appreciate that explanation, was in the Whole-of-State Business Case, what was assumed in that and has anything changed since then?

Mr McGOLDRICK - Okay, things have changed.

Mr WESTENBERG - Thank you. I'd have to say that I'm not familiar with what was in the Whole-of-State Business Case, what was in their baseline. However, to be really clear, to reiterate what Seán said, in relation to our baseline, the contingent projects are not in it. They are put aside there specifically to be called out if those trigger events happen, and therefore we then assess them separately to what we would call our generally regulatory proposal outside of that.

CHAIR - To be clear: the only contingent project in the current regulatory period, not the one you're preparing for, the 2029-34 -

Mr WESTENBERG - Yes. The current regulatory period.

CHAIR - is the north-west transmission line?

Mr WESTENBERG - Okay. No. There are a couple of others that are progressing, but at very early stages: Waddamana to Palmerston - because there's probably two ways that they can come in. The other way that a contingent project can come in is that it's deemed an actionable project from the integrated system plan from AEMO. Waddamana to Palmerston is an item that we are progressing very early stages of assessment. The second one that we are doing initial work on is the George Town hydrogen hub, for want of a better word, to understand the costs associated with those. That doesn't necessarily mean, in any case, that they're going ahead, but that we are obligated, once they become either triggered or from the ISP, to start that process to assess.

CHAIR - On that then, it may not be a question just for TasNetworks, but can you provide the public sensitivity showing whether the net benefits will still hold if major new loads are delayed, reduced or don't proceed?

Mr WESTENBERG - Are you talking about net benefits of the Whole-of-State Business Case?

CHAIR - Yes.

Mr WESTENBERG - It's probably not a question that we can answer, sorry.

Mr McGOLDRICK - We look at each individual project from a system point of view. I view the Whole-of-State Business Case as it's a business case; it was the state's business case. Our responsibilities here are to run prudent and efficient expenditure on the power system. If AEMO puts a project in its Integrated System Plan, we would go ahead and bring it through its development path. If one of our contingent projects is triggered because we have a load application or a generation application, we would go ahead and process and deliver the most prudent and efficient expenditure to deliver that requirement. That's our job.

CHAIR - What you've fed into the Whole-of-State Business Case - you don't give consideration, if you like, to what the impact would be on the assumptions in that Whole-of-State Business Case if a project didn't proceed or was significantly delayed, for example?

Mr McGOLDRICK - We did not do the studies. We did not do the analysis on the Whole-of-State Business Case. We certainly provided input data and we responded to inquiries. We've given them the best view of what we see as our power system, currently and moving into the future. But what was put in or not put in to any individual study or decision or business case, that was somebody else's responsibility. We just made sure when we were putting things in that they were correct. We received draft versions that were redacted that just had our portions, and we just made sure that our portion was correctly reflected. That was our involvement in the Whole-of-State Business Case.

Mr WESTENBERG - If I could add a couple of other points: we mentioned Waddamana to Palmerston, and again, we're very aware of the potential impacts of starting these projects and any impact to pricing. We have actually asked for and received an extension for that so that we don't need to do the submission as quickly as possible. That allows us to understand, due to the complexity of the system, and the amount of contingent projects - it gives us some more time to provide an understanding of what may come out in the new integrated system plan, which I think is due out in June this year, to ensure that, again, we don't spend time on assessing contingent projects that may or may not go ahead.

CHAIR - The Whole-of-State Business Case, as I understand it, presumes significant investment in variable renewable energy on-island?

Mr McGOLDRICK - Yes, we understand that it does.

Mr WESTENBERG - It would do, but again, if we look at George Town, it sort of depends on - there were, I think, three separate triggers depending on how much investment you would require in George Town and how much augmentation the network would require. We did provide information around potential impacts from a pricing perspective, but even again with those, it depends on whether that's being generated by load or generation and the impact of that.

Mr McGOLDRICK - We again take our view, guided and regulated by the Australian Energy Regulator, about what projects are prudent to bring forward at what time. The Whole-of-State Business Case is simply a business case. We are working within the tenets of our development plan of the network. We assess the requirements for the network in our annual planning report. Every year we publish what we believe is the development of the network, what is coming up in the next 10 years. Every year we reassess that and we publish it. That happened in November. We had a webinar on that, and it's part of the overall process for planning here in Australia.

AEMO essentially takes all these independent plans, it does its own analysis and produces its integrated system plan for the whole of the power system on the east coast of Australia. They determine then which of the larger projects are what they call 'actionable'. That's the mechanism. The Whole-of-State Business Case, as I understand it, was a determination by the state about whether they wish to make an investment in a particular piece of infrastructure.

Mr HARRISS - In the hearings last year in April, we heard about the North West Transmission Developments focused on a timing point, network charge impacts, and how that would reflect final concessional finances. In that, from TasNetworks' point of view, what updated capex, financing and cost-recovery assumptions are used for the North West Transmission Developments, and, I suppose, how do they differ from what was presented in 2025? Then, are we able to have provided customer impacts and what changes that is in capex - if capex is higher, or concessional finances are reduced or delayed, or timing slips of the project?

Mr McGOLDRICK - I will start by saying, fortunately, since we've last appeared, quite a lot of progress has been made in the project. You're always working to get your inputs sharper and better and so on. So, a number of important things have happened after we've made the financial investment decision in June. That was a key point, but we had to continue to work with the regulator to get a regulatory decision. We have succeeded in doing that. In fact, there were two regulatory decisions: one for the portion of early works, one for the construction phase. That essentially tells us how much revenue we're allowed to recover from customers for this project. Though that was an important thing, that milestone has passed, and we have a regulatory decision for early works and for our construction phase, which Michael will be happy to share the details on pricing - sorry, what revenue we're allowed to recover.

We've also continued to negotiate with the CEFC, and our existing backer, TASCORP and the state, to fund this project. The funding model is: we're going to have 84 per cent debt

and 16 per cent equity. So we will get an amount of debt for the project from the Clean Energy Finance Corporation, and we will also have a direct-equity injection from the state that has been provided for in the budget process. That's the funding, and the details behind those agreements are currently being finalised. We've spent a number of months, in particular Michael and his team, spent a number of months negotiating the details behind those funding agreements and making sure that our existing backer, TASCORP, is also comfortable with those details. That's been a significant progress.

We've also worked to make sure that the project has progressed with respect to permitting, and we've made sure it's progressed with respect to our detailed design work. You start out these projects with estimates, but then you have to do a lot of detailed design work. We're probably somewhere between the 90 and 95 per cent finality on the detailed design work. We still have some elements to sort out, but I'm expecting that in the coming weeks we will have the final detailed design from our contractor, Genus, which is delivering the project for us.

All those things since we last appeared in front of the committee have been progressed, have been developed further, have been sharpened. I am going to hand over to Michael to share some of the details in terms of the numbers approved.

Mr WESTENBERG - Thank you. There were a number of questions there, so I will try to go through those. Between what we call early works and construction, the AER has now approved \$1.0732 million in 2023-24 for the capex -

Mr McGOLDRICK - Billion.

Mr WESTENBERG - Billion, sorry, for the project. That now gives us an understanding of the amount of revenue that TasNetworks' - capex we're allowed to spend and the revenue associated with that. Just a couple of points on that. For what we call early works or the contingent project application, number one, they approved 100 per cent of that proposal. For the recent proposal or submission we provided for construction they approved around 95 per cent of what we submitted.

There were two elements they considered. One was a component of \$14.7 million that was probably duplicated between ourselves and Marinus Link at the Heybridge site where we connect into. That was removed from our submission, which is fine because Marinus Link will now be constructing that element. The second part was they scrutinised our risk and contingencies we have within the project and reduced that by an amount.

Holistically, that submission and the decision from the AER was earlier than we expected, which was a good outcome for ourselves. Also, the fact they approved a large component of those submissions to us shows the prudence and efficiency in the detail we're providing the AER was at a level that we provided confidence to them on what we're building. That provides the capex and revenue.

In relation to the CFC - and I'll move on to pricing after that - but as Seán said, we spent the last 18 months working with the CFC on the finance deal -

CHAIR - CEFC, you mean, isn't it?

Mr WESTENBERG - Yes, the Clean Energy Finance Corporation. What we've managed to do - you have access to the Whole-of-State Business Case - you would know that particularly early on there were concerns on how that deep concessional finance works. The CEFC has assisted us in facilitating how we manage the early cashflow in the early years of that. Also, been very focused in ensuring once we have the concessional finance arrangement completed, the concessionalality must be passed on to the Tasmanian community.

That's at the final stages. It's been a complex process, but the CEFC has been really constructive in its work. We have incorporated feedback from the relevant departments within the Tasmanian government being Treasury, Renewables, Climate and Future Industries Tasmania and TASCORP to ensure that all fits together.

In relation to the pricing -

CHAIR - Before you go onto that, if I could ask what the state's equity contribution now is in dollar terms, based on that process?

Mr WESTENBERG - Yes, on the top of my head, it's \$191 million has been appropriated in the budget for the 16 per cent of the equity allocation.

Mr BAYLEY - Before you move on to revenue, a question about costs. My understanding from a TasNetworks webinar was strategic purpose payments to landowners who would host - let's call it the transmission line - aren't included in the \$85.1 million land and property line item in your contingent project application. I'm not asking you how much or what the bucket of money is to pay landowners - that's something you're not going to give us - but how do you then deal that information back into this decision so it is properly captured as part of the costs?

Mr McGOLDRICK - I will start that one. We are very happy to share. It's on the public record - the amount of money we are paying to landowners in terms of the strategic benefit payment: it is \$200,000 per kilometre paid over 20 years and that's linked to CPI. In total, we estimate currently that's about \$38 million we will be investing. That's on top of about \$71 million that we're spending on what's known as land access payments, under the *Land Acquisition Act 1993*. That's the investment of about \$110 million we're making, in terms of payments to landowners, with \$38 million of that in the strategic benefit payment.

Mr BAYLEY - Is that on top of the land and property \$85.1 million line item?

Mr WESTENBERG - Yes, it is. I was going to say, it's about \$80 million for the land acquisition.

Mr McGOLDRICK - Yes, exactly.

CHAIR - Not 71, it's about 80.

Mr McGOLDRICK - Sorry, yes - I beg your pardon.

Mr WESTENBERG - I will get that exact number in a moment.

Mr McGOLDRICK - Michael will give the exact number. But the purpose, of course, of the strategic benefit payment is so landowners can participate in hosting our infrastructure.

They're going to be hosting our infrastructure for a long time and it's to recognise that commitment. This is in line with other jurisdictions throughout the NEM. It is in line with the regulated view of the world in that, in terms of the regulator, they view such expenditure as being prudent and efficient. We will enact it through local legislation here in the parliament, so it will be fully subject to scrutiny by the parliament. But the intention there is that it is a local scheme and it will be legislated locally, so that the regulator then goes, 'That's a local scheme that's legislated locally, it's checked off locally, therefore we approve'. That is the level of scrutiny they do. In terms of recovery -

Mr BAYLEY - They will follow up and bring that into the calculations - the contingent project assessment, effectively?

Ms HOPWOOD - Obviously, the contingent project application we've just had approved enables us to commence construction, and the capex will enable that component. We will start spending that when we go through our final investment decision or a financial close. But the strategic benefit payments won't be paid to landowners until post-commissioning. It will be a subsequent cost in future periods and through that future period proposal, the 2029-34 one that Seán talked about before, will go through that process of them being scrutinised and it will be an opex cost rather than a capex cost, which is what we're talking about currently.

CHAIR - Can we go back to the rest of the question?

Mr WESTENBERG - Yes, certainly. In relation to the pricing element of the North West Transmission Developments, there is a couple of considerations. First of all, the deep concessional finance arrangements from the Clean Energy Finance Corporation for the 84 per cent component of the debt dramatically reduces the overall impact to the Tasmanian community and any pricing impacts. In addition to that, you have the \$346 million Commonwealth grant that is to be provided to TasNetworks to holistically minimise the impact of Project Marinus, our understanding is with the policy; that's both Marinus Link and the North West Transmission Developments. Those two components alone do reduce the impact.

Again, if you look at the AER's recent decision, they estimated the overall impact when you consider those somewhere around one, one and a half per cent of increased prices to the Tasmanian community.

CHAIR - That's taken off, you're saying?

Mr WESTENBERG - No, an additional cost for the network. That's the increase in charges. There's also been, obviously, a lot of questions raised about the impact on major industrials which, because they're directly connected to the transmission system, generally bear more of that cost.

Obviously, I think it was at the last scrutiny session, the minister announced the government policy position would be that the major industrials and direct connected customers will be no worse off in real terms from the impact. That is a major point for those customers that they won't receive any impacts from the North West Transmission Developments and Project Marinus. That obviously still needs more detail on that policy. We have already begun work on our side in relation to how TasNetworks may be able to assist in providing both the calculations and an operational method for providing that benefit to the -

CHAIR - Do we have any idea of what that will cost the state?

Mr WESTENBERG - No, I don't, to be honest.

CHAIR - Does the minister, do you reckon?

Mr WESTENBERG - I would assume, but you would have to ask the minister.

Ms HOPWOOD - Did you want me to fix those land numbers for you?

CHAIR - Yes.

Ms HOPWOOD - So, \$38 million for the strategic benefit payment, as we mentioned, approximately \$71 million for the LAA and then the \$81.5 million that you quoted is for the land costs inclusive of labour and other elements for delivery. So those are the three numbers.

Mr EDMUNDS - The policy around those customers being no worse off: how much level of detail do you have on that? Is it adjusted for CPI? What instruction, I suppose, has come through all that?

Mr McGOLDRICK - In terms of instruction, we have not had an instruction. We are working with ReCFIT and Treasury to understand entirely the intention behind that and how to implement it. This is something that we don't necessarily need an answer for today because we have a number of years to work through that and to decide what way to do it best. There's a number of different factors here. We have to take into account various grants that we already have, as well as the cost of the project, and then the future load and the impact on customers to share between transmission and distribution.

We also have to take into account various different grants that we are aware of so we know that we're getting a grant - it has been announced that Tasmania, through TasNetworks, will receive a grant of \$346 million. We have to take that into account, reduce our investment by that amount, so that it's not doubly recovered. So we have to look at all those elements and decide what impact those will have on future pricing and then look at the increment for the North West TD stage 1.

So how much of the future pricing is North West TD? How much of an increment is that? That's the element which we understand, that the minister has said, that will not be applied to major industrial customers.

Mr EDMUNDS - It's essentially a carve-out.

Mr McGOLDRICK - Fundamentally, yes. We are working to make sure that we have the best estimates of those future prices in future years - 2030-31 and so on and forward.

Mr EDMUNDS - It will be something that sort of continually evolves rather than sort of like a snap, 'This is how it's going to be'?

Mr McGOLDRICK - Correct. Yes.

Ms FINLAY - I have three short questions. One is, you mentioned the \$346 million for Marinus and North West Transmission: is that entirely sitting on your balance sheet? Where do those funds sit if we're looking for them in a budgetary sense?

Mr McGOLDRICK - To answer that one, we have not received those funds yet. Let's be clear about that. Those are federal funds that we understand will be given to TasNetworks - or given to the state which will then give them to TasNetworks to take off our ratable asset base. The mechanics behind how we do that, we are going to have to negotiate that carefully with the regulator as well, who will have oversight of this, and, in due course, that process will emerge. Those funds will not be applied until probably 2030-31. So we have an amount of time to resolve this matter.

CHAIR - And it is across the whole regulated asset base, not just the North West Transmission Developments?

Mr WESTENBERG - That's correct. If I could add, we have already been working with the Australian Energy Regulator on a number of options how you operationally again may apply that, but it applies against our regulatory asset base, not just specifically the northwest.

There's a couple of methods that we could look at: one of them again is potentially what they call a concessional finance arrangement. Again, what we're considering is the way in which it's applied, but also the visibility to ensure that that funding and the reduction in the regulatory asset base is passed on to the Tasmanian community.

Mr BAYLEY - Michael, you just said though that the policy was for Project Marinus, which obviously includes Marinus Link and the North West Transmission. Does that mean it gets split between the two? Does TasNetworks get all \$346 million?

Mr WESTENBERG - We do.

Mr BAYLEY - What do you mean by it being for Project Marinus, as a whole, at a policy level?

Mr WESTENBERG - My understanding from the Commonwealth grant is it is to offset the project holistically. The mechanism though is applied to TasNetworks.

CHAIR - Also, it's the cost of the project to the consumer, isn't it?

Mr WESTENBERG - That's correct. Now, when you consider how that happens: TasNetworks, by the time that Marinus connects, will be potentially what we call a coordinating network service provider, in that we would be passing on any charges from Marinus in our charges. So, reducing our regulatory asset base provides, I guess, the flow through of the concessionality to the Tasmanian community.

Ms FINLAY - Thank you, and there are variables to go on that. My other question is: now that you are sharper on the costs of the North West Transmission and you're more progressed with understanding the concessional finances and things, what changes have you made to your risk, and I'm going to use 'register' as the language, but have you elevated or decreased the risk in your risk assessments to TasNetworks as a business as a result of what you're required to do to deliver the North West Transmission Developments as part of Marinus?

Mr McGOLDRICK - I will make an initial answer and then Michael and Chantal will give you some more detail. There are two separate elements here: there is the overall business TasNetworks and its risk and risk register, and then there is the project and its risk and risk register. We need to think of these things separately.

First of all, from an overall business point of view, it is absolutely essential that we deliver this project well - we bring it in on time, on schedule, on budget. That's an enormous focus of our executive, of our board, indeed of our shareholders, that we do the very best in those aspects. The big risk there, of course, is reputational risk as well as financial risk. It's part of our job; this is our core job. It's a very important project. It's doubling the size of our transmission asset base. It does feature large in our company risk register or corporate risk register and we're devoting an incredible amount of time to it.

With respect to the project: we, of course, have our own assessment of risk in detail of the project itself and the risk register does change over time. An element in the risk register that would have loomed large in previous months would have been, 'Are we going to get a regulatory decision that we can work with, and will we get it on time'?

I'm happy to say that risk has not crystallised; in fact it's gone positive because we actually have a regulatory decision and it's a very good regulatory decision that we can work with and we've received it early. But there's a range of different things in the risk register, including things that might impact on the schedule, things that might impact on the cost and how we manage those.

Large elements include: will we get a permitting decision? Will it be on time? What conditions will be associated with that and how will we manage those conditions? So that's, for example, a very big risk. How are we going to manage in the field? We make certain assumptions through our detail design process and genesis detail design process, but inevitably when you go out onsite, things may be different.

So, how do we manage those things? For each of those things in the risk register we allocate an estimated cost and a probability. We do the assessment, we actually do a Monte Carlo assessment of it, but each individual line item has an allocated cost that we did provide through our regulatory submission, which is on the regulator's website. That was the thing that Michael said they examined very closely and they gave greater or lesser weight, greater or lesser probability, greater or lesser sums of money against each of those line items. They came out with a determination to grant us a risk amount - and I believe the risk amount is just shy of \$100 million at \$98 million. So that will allow us to manage those risks as the project matures into construction and as we move on towards the commissioning phase.

I will hand over to Michael to give you some numbers

Ms FINLAY - Before you hand over, though, thank you for that, that's really useful. I'm interested in the risk of the project to TasNetworks as an entity as opposed to the risks of the project developing, if the answer could be in that context.

Could you please outline for the committee currently what the status in the risk register is of the North West Transmission Developments project to TasNetworks as an entity. Where does that sit in the register at the moment?

Mr McGOLDRICK - I don't have that with me right now and rather than say something that's incorrect, I'd like to provide that to the committee on notice if that's acceptable so I can be absolutely accurate on it.

Ms FINLAY - I appreciate that. Thank you

CHAIR - Michael, do you want to add something?

Mr WESTENBERG - I want to add a couple of points. Seán covered it really well, but when you talk about risks to TasNetworks, in relation to the North West, probably a couple of points: one, the risks change as you move through early works into construction. The risks that we've been very focused on at the moment, such as, 'Are we going to get a regulatory determination and if so, can we work with that?', are very different from the moment you start construction and the risks associated with that. Safety would be one that we're very focused on - those sorts of things.

The other part that I probably would mention is we have spent a lot of time looking at the risk to TasNetworks from a financial perspective - that's an area, obviously, I'm involved in - and ensuring that we're doing a lot of forecasting to ensure that, particularly in the early years during construction, and from a finance perspective, we stay within our covenants. We have financial covenants both from the Clean Energy Finance Corporation and TASCORP - stay well within those and that we manage any risk associated with cashflow, debt and financial impacts which the board has been very focused on.

Ms FINLAY - Thank you.

CHAIR - Janie, you want to go?

Ms FINLAY - No, I was saying thank you for that. I had one final question if you want to continue on that line.

CHAIR - I'm interested in the change in the national electricity rules from 1 July 2026. As I understand it, and I'm happy to be corrected if I've misunderstood this, the settlement residues from the Basslink interconnect we manage by a AEMO in a waterfall sequence - the regulated revenue requirement is funded first; negative residues reduce the pool; auction expense fees are deducted, and only then is the surplus auctioned. Correct me if I am wrong on this.

Mr McGOLDRICK - I will. There's a broader context.

CHAIR - TasNetworks is a regulated TNSP which bears the liability for any negative residues and any shortfall in funding in the RRR and recovers these costs through the time-of-use service charges on network customers. I want to look at the impacts of that, because this is how Basslink will operate from 1 July and obviously how Marinus will operate.

Mr McGOLDRICK - Correct.

CHAIR - From 1 July 2026, TasNetworks will become the recipient of interregional residue settlement auction proceeds from Basslink interconnector netted against its regulated

revenue. Does TasNetworks agree that it will also bear the financial liability of any negative interregional settlement residues arising from Basslink?

Mr McGOLDRICK - This is a very complicated subject, so forgive me if I outline a couple of things. First of all, there are two types of settlements. One of those, what we know as intra-regional settlements, we've been dealing with for many years. That's a smaller amount of settlements and volatility where there's basically a mismatch between what the electricity market calculates and the set bills that go out, and over time you have to adjust those. We've been dealing with those through AEMO for years and years and years.

There is a second type, and probably larger type, of settlement called inter-regional settlements.

CHAIR - That's what I'm interested in.

Mr McGOLDRICK - That's the one you're interested in. Just so that the committee has no confusion with this, up until now we have been completely and utterly connected to the electricity market via one interconnector, Basslink, and that was what I will call a merchant interconnector. It was not a regulated interconnector.

CHAIR - Well, look at when it's regulated - 1 July.

Mr McGOLDRICK - When it becomes regulated, we move that responsibility for those inter-regional settlements which were heretofore dealt with through the contracts in place as a merchant interconnector. They become our responsibility if we're appointed as coordinating transmission network service providers.

CHAIR - Who else could be?

Mr McGOLDRICK - Well, what has to happen is the TNSPs, the regulated TNSPs, have to come together and agree who that is. The regulated TNSPs on 1 July are, if the regulatory decision is accepted, likely to be APA as Basslink and ourselves, and then ultimately when Marinus Link comes along, it will be Marinus Link as well. There has to be an agreement among those parties about who it is.

I would agree with you, Chair, that the natural party would be us to do this. We would be willing to accept that responsibility if we're appointed as the coordinating network service provider.

Now, if we are, we then have the responsibility, month to month, to manage these flows. They're volatile and we don't have a track record because we haven't gotten them yet. We have been attempting to forecast and work through this along with a number of other parties, including AEMO, about how this will vary over time. You're a bit like a bank, if I could say it that way, in that you have to pay out money and then you get money. You can't hold on to that money, even if I'm ahead on a surplus. Some months I will be in the positive, and I will get to collect money, while in some months I will be in the negative and I have to give out money. I will keep an account, but if the account is in surplus consistently, I don't get to keep that money. I actually have to pay it back.

You're net-neutral when you sum it all out at the end, but the aspect that I get concerned about is the volatility, because it can swamp your cashflow, and it can swamp your reporting.

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We are now considering, if we have that responsibility, first of all what is the volatility going to be like? What are the sums? Also, how do we separate that in our financial reporting so that it's not dwarfing the normal cadence of reporting and the normal metrics that we would report? That's where this is potentially going.

CHAIR - You do bear the financial liability of negative inter-regional settlements?

Mr McGOLDRICK - It is up to us to settle the account, if I could say it that way.

CHAIR - If it's negative, you have to settle it that way.

Mr McGOLDRICK - If there's an ongoing cost, we do get to recover it. We operate in a regulated regime, so it's not an unbounded liability.

CHAIR - You pass it on to customers, yes?

Mr McGOLDRICK - We would, or indeed to other parties in the National Electricity Market. I will just hand over to Michael -

CHAIR - I will just ask the second question, because it might be helpful too. You've alluded to this, Seán, in your response. Has TasNetworks quantified the range of potential negative residue exposure it expects to carry post-regulation and what is the high, medium, and low estimate for that exposure over the 2026-30 regulatory period?

Mr McGOLDRICK - I would hesitate to say that we've completely gotten it correct, but we certainly have been studying this and working on this and taking advice from other parties who've had this responsibility in the past and indeed from AEMO. I will hand over to Michael.

Mr WESTENBERG - Thank you. As the CEO said, it's a complicated area. Just a couple of things to be mindful of. TasNetworks has been working constructively with APA and Basslink for a period of time to understand this process. It's been a little while since the merchant link has moved to a regulated link, if that's what the decision is. We are working through that and also working with the AER on the rules.

One of the complexities is due to the timing. On an annual basis, we're required to provide our pricing for the next year on 15 March. I believe the decision for Basslink - the final determination - is due on 27 February. That doesn't leave a lot of time for us to work through that.

Getting to the crux of your question: we do carry the risk and we've been doing modelling. I wouldn't say that there's not just a negative risk here. There is a positive risk, as far as the components. We would estimate that we would receive somewhere between 50 and 75 per cent of the inter-regional settlements. What those are, we've been doing a lot of work on, but again, how Basslink has been functioning and trading over the last period of time is probably going to be quite different to when it's a regulated link. We will carry that risk.

But the other component we've been very focused on is, 'What does that mean for price stability for customers? And what the risk appetite is for TasNetworks?' We would be in a position following 15 March to be able to provide more information once those pricing components are completed.

The last component that probably should also be mentioned is what we call MLEC, or modified load export charges. We are also, as a CNSP - or coordinating network service provider - required to collect those and pass them on to the Tasmanian community, potentially being offset by the ups and downs of the inter-regional settlements. That's something that was only published Friday last week ago from the VicGrid. So we need to work through those as well over the coming weeks.

Mr McGOLDRICK - VicGrid is our counterpart in Victoria.

CHAIR - Yes. The regulated revenue requirement, I understand, is approximately \$107 million per year.

Mr WESTENBERG - Totally for Basslink, and my understanding that if the decision is made based on a 25-75 per cent split, so that's 25 per cent for Tasmania, 75 per cent for Victoria, \$25-ish million of that would be charges that Tasmania would wear; the \$75 million would be for Victoria.

CHAIR - So that's taken out of the pool amount before that goes to auction?

Mr WESTENBERG - I couldn't - I guess we're going to take - we're going to be just receiving what's left. We don't look at the market.

Mr McGOLDRICK - We don't run that process. That process is run by AEMO, and what the outcome for us is, is what's important. They mitigate that through their own processes, but we will then have - in some months we will have money that will be flowing into us and other months it will be money that will be flowing out. It's our responsibility to make sure that that process is funded.

CHAIR - So the modelling that's been done - and if you're happy we might sort of seek to send some questions on notice because this is a complicated area.

Mr McGOLDRICK - We're comfortable with that.

CHAIR - With Hydro, they're looking to make money through their bidding activity with a regulated link that relies on certain positive situations for them, but we also hear that prices between Victoria and Tasmania should compress or get closer together as they follow a pretty clear path. They're not that far apart except for the price spikes, which some say would be less frequent. So, doesn't that run the risk of more negative situations here where TasNetworks carry a negative risk that has to be passed on through to customers through time-of-use services?

Mr McGOLDRICK - I won't comment on the trading aspects; that's for Hydro to comment on and what their trading strategy is with a regulated link. What I can say is that I'm comfortable with a regulated link, and that Basslink would become regulated. We've supported it becoming regulated, along with Marinus ultimately becoming regulated, because that's a far more transparent situation for us as a TNSP and regional operator here. There's more predictability on it. I'm not so much concerned about the pricing aspects; I'm more concerned about the availability of that link, the power flows that come across that link and whether I can rely upon it in emergency situations. Those are the things that I'm concerned about.

CHAIR - Surely, you're doing financial modelling on -

Mr McGOLDRICK - We are doing financial modelling on the aspect associated with our responsibilities as coordinating network service provider. I'm just making the point that, you know, we don't trade so we don't control those things. But there are significant positives in that link becoming regulated, and ultimately Marinus becoming regulated, because it's easier for us to manage our responsibilities. It's more transparent. We have more elements of control over the supply and demand on the island here. Pricing is a whole different matter; we have that responsibility. As I said, it's basically a banking responsibility. We're taking money in and giving money out depending on -

CHAIR - AEMO?

Mr McGOLDRICK - Yes.

Mr WESTENBERG - Chair, if I could just clarify one statement I made, sorry, when you talked about the \$100 million, you were talking about settlements. I've been very focused on the revenue that we're required to collect from Basslink, so I just wanted to correct that statement. The other component, because they're both - you mentioned \$100 million for both -

CHAIR - \$107 million, I think it is.

Mr WESTENBERG - Yes, they're both around the same amount. The other component to Seán talking through in relation to the ups and downs: that always gets trued up moving forward, so any over-recoveries or under-recoveries in future years would be trued up and they're focused and factored into future pricing.

Mr McGOLDRICK - It's always trued up, but I'm very happy to take questions on notice on this because those two deadlines, 27 February and 15 March are upon us. What I would like to suggest to the committee, if you're agreeable, is that you leave the inquiries until after those dates have passed so that we can give you more accurate information at that point.

CHAIR - 15 March did you say?

Mr McGOLDRICK - Yes, is the decision, so that will allow us then to be -

CHAIR - We might send it through to you and you can respond after that time.

Mr McGOLDRICK - Perfect. Yes, that's fine and we're very comfortable with that.

Mr BAYLEY - Thank you, Chair. A couple of questions around the North West Transmission Developments, specifically stage 2: Hampshire Hills switch station and Hampshire Hills to Burnie transmission line, part of which is an upgrade, part of which is greenfields. Have you received a connection application for Hampshire Hills switching station and/or strong expression of interest? In March 2024 you went out with an expression of interest for connection, generators to connect or load to connect and draw down from that line. Where are you at with that interest and applications?

Mr McGOLDRICK - We have not received a connection application for Burnie to Hampshire Hills or the Hampshire Hills station. It is a contingent project in our current regulatory submission. So if a trigger was to occur, i.e. a load or generation of sufficient

quantity making a connection application, we would then go to the time, trouble and effort of developing a contingent project application and working it through the regulatory regime. We were mindful that there were a number of interested parties over the last few years, both generation and load, who wanted to connect in at a new Hampshire Hills station as opposed to the existing Burnie station. We did our best to work through a process known as the DNA process, where it's kind of you can come together as parties and you can build and share that infrastructure, but you pay for the cost but share the cost. We've coordinated various discussions in that regard, but they've come to nothing as yet.

Burnie to Hampshire Hills and the Hampshire Hills station is fully part of stage 2 of Marinus, but that is not an actionable project at this stage.

Mr BAYLEY - Can I ask why is it then part of the application to the Tasmanian Planning Commission for the approval of the entire stage 1 link?

Mr McGOLDRICK - Yes.

Mr BAYLEY - You've sort of dealt in part of stage 2 into stage 1 for assessment. Why is that? When you made the announcement that it was going to be stage 2, you said it's going to be stage 2 unless there is a connection application, which you haven't got, or a significant expression of interest, which sounds like there isn't.

Mr McGOLDRICK - I will hand to the team in a moment, but I want to set the context here a little bit: Burnie to Hampshire Hills is an element of stage 2. So it is an element of stage 2 should stage 2 go ahead. It may be brought in ahead of any stage 2 as well if there are sufficient applications for generation or connections. It's literally from Burnie to Hampshire Hills, new station, and that's part of stage 2, should it eventually occur. It may occur otherwise or in advance. That's the first thing.

Mr BAYLEY - I guess that begs the question as to why are you going through the process and spending the money on getting it assessed and approved now?

Mr McGOLDRICK - In terms of permitting, there are significant, long lead times associated with permitting. So we've tried to bring as much of the entire project through the permitting as we felt was prudent to do so, fully being open about it. We've been in permitting for a long time. The staging of the North West TD, that decision happened a couple of years ago. We were already in process in terms of permitting. We've decided to allow the permitting aspects to continue. We think that's cost-effective because there is - making an application, while it has extra cost, making an application for Burnie to Hampshire Hills on top of the existing stage 1, the incremental cost is rather small, but we believe it's a prudent thing to do, but I will hand over to Chantal to make some comments.

Ms HOPWOOD - Just a couple of points: stage 2 of Marinus is still currently an actionable ISP project, so it's still in the forward pipeline. In that respect, progressing with the permitting is futureproofing that aspect of the project.

Mr McGOLDRICK - Sorry, I misspoke on that area. It is an actionable project.

Ms HOPWOOD - It's still part of the pipeline, and the other aspect is we did progress and commence the permitting process when we were looking at alternate routes for stage 1 of North West Transmission, which included the inland route as opposed to the coastal route.

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Given that was already in train, we thought it was most prudent and efficient to leave the permit as submitted.

Mr BAYLEY - In terms of a contingent project application, the EOI says that it would be fully funded by proponents as opposed to TasNetworks. Why would it need to have a contingent project application there in relation to costs?

Ms HOPWOOD - There are a few different ways in which this particular project can progress. It can progress as part of stage 2 of the North West Transmission or stage 2 of Marinus. It can progress as an individual contingent project just for that Burnie to Hampshire Hills line. That would require the trigger points associated with that contingent project to be met - and that's load, generation - and both - any projects that were progressing would have to meet their final investment decision to give us certainty to progress.

If it did that, then we'd have to go through the RIT-T process, which we talked about before, and that would be funded as a shared service, so funded through our component. The expression of interest describes a process of a dedicated network asset where it's for a particular proponent; the costs incurred aren't deemed prudent and efficient at that time for the wider customer base to pay. That particular proponent would have to pay. That is the distinction between them.

Mr BAYLEY - You decide on that at some point in the future when all the pieces fall into place, one way or the other?

Ms WESTENBERG - Correct. That was a way of bringing it forward, should proponents desire to do so.

Mr BAYLEY - In relation to stage 1, it's a flashpoint with concern amongst landowners in the north-west. How are you going with signing up landowners along that route in terms of the strategic purpose payments and the other payments they get. Where are you at, percentage or kilometre-wise in terms of having -

Mr McGOLDRICK - A few facts I will put on the record, and again the team may comment. Stage 1 is 129 kilometres in length: 3 kilometres of greenfield and 126 kilometres in brownfield where we have adjacent structures or within existing easements. We were planning to put up 295 new towers and take down 399, so it's actually a net reduction. Those will be larger towers, but it's fair to say that the number of towers will overall be reduced.

We will have a new switching station shared with Marinus Link at Heybridge and we've to upgrade three of our substations - 65 per cent of the route is privately owned, 32 per cent is in government or publicly owned, and 3 per cent is forestry land. Of the total number of private landowners - it's important to get this number right - while we have 271 private properties, we have 261 landowners because some owners own multiple properties, as you might imagine.

In terms of brownfields with no easement change, 129 have all agreed to provide access. Brownfields with easement amendment - so the existing infrastructure we're taking down and we're widening or changing the easement slightly - there are 137 of those and 118 have agreed to provide access. Greenfields, we have five properties and three have agreed to provide access.

In terms of options agreement, we did actually sign an option agreement just on Friday as well - I have written 21 outstanding options agreements here, but actually 20 now it has come down to. We have about 20 we're still working with out of those 261 properties. Those 20 we remain in negotiation with. I would say that probably around 10 of those I'm quite hopeful in the coming weeks we will actually have option agreements signed. Those 10 are delayed for reasons associated with there's a legal agreement that has to be reviewed and the lawyer hasn't been available or the land valuer they wish to use has not been available.

We're in active negotiation on 10. I would say the other 10 are proving more difficult, but we're still available for negotiations. Our first preference is always to have a voluntary agreement on this matter.

Mr BAYLEY - Some of those 10 last week or the week before we had some less than desirable media coverage in relation to the police visiting these particular properties. Can you talk how that happens? Does TasNetworks ask the police? Is this a normal thing in the way you do things? Obviously, it was seen through an intimidatory kind of lens, I would say. Is that normal practice? Do you think it's wise or ethical for the police to sort of pre-empt -

Mr McGOLDRICK - I will be happy to comment on that. Just like any major developments, when we're going on people's land, we have been keeping Tasmania Police informed about our project. That's something that we regularly do and we're very grateful for their support. We also inform them when we need to go on land. We were very conscious. It's part of the process - the statutory process - for acquiring easements in a non-voluntary way, we have to actually, for the cadastral record, go on land and survey what portion of land we're taking an easement over. That requires a surveyor to go on the land. We explained that was the timing; we have to send out notices in that regard, which we duly did. We informed the police those notices were going out. As part of, I understand - so, I don't compel in any way, shape or fashion the police -

Mr BAYLEY - Do you ask them to go to certain properties?

Mr McGOLDRICK - No. What we said was, 'We are going to go to those properties', and we then made sure we told them about that. As part of their approach, I understand, to community policing, they took the initiative to go visit a number of those properties and to explain that people would be coming on land to carry out a survey and that they were entitled to do so. We then subsequently visited those properties, a number of those properties, and Tasmania Police did not accompany us when we visited those properties, and we did indeed get access. That was the sequence, but very happy for Renée to comment on that and fill it out.

Ms ANDERSON - Yes, thank you. The message around community safety wasn't a directive for Tasmania Police. It certainly wasn't intended to be intimidatory for those landholders. We know that there is a lot of emotion around this project, particularly understandably for some of those landowners. We've been talking practically with Tasmania Police for a while, particularly given their knowledge of people in the area, knowledge of the process that we're going to have to go through. It seems like after conversations with them, their role in community, community safety, knowing landowners, knowing people, that they could play a proactive role in assuring landowners that we were there for a legitimate lawful reason - that there would be people coming onto their properties, but we had very specific parameters around why we were coming on the property. It was very much

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around wanting to assure landholders while we're there, but also for that Tas Police presence in that community, given their connections and relationships with people there.

CHAIR - Okay. Any other questions? It's nearly 11. We might wrap it up at that. There are a few other matters. We will perhaps write to you.

Mr McGOLDRICK - Can't believe it's nearly 11.

CHAIR - Yes, I know. It is, isn't it? It's hard to see that clock. We will follow up with a few other questions along the lines I previously indicated, and the ones that you've agreed to take on notice. Is there any closing statement or any other comment you wish to make at the end of the session here, Seán?

Mr McGOLDRICK - Just as always, we've enjoyed our time in front of the committee here. We remain available to answer any questions and we have a number of matters on notice.

I would also like to formally invite the committee, if they so choose, to come visit us. We're happy to bring you to our existing premises or to demonstrate what we're doing and where we're going with the North West Transmission Developments, for example. If you'd like to come along to meet the team or, indeed, any other aspect of our operations, if you want to meet our regulatory group. We remain happy and willing to engage with you in that matter and will host you in the visit if you so desire.

CHAIR - Thanks for your time today. We will write with those follow-up questions. Thank you.

The witnesses withdrew.

The committee adjourned at 11.00 a.m.