



LEGISLATIVE COUNCIL

SESSION OF 2025 – 2026

(FIRST SESSION OF THE FIFTY-SECOND PARLIAMENT)

VOTES AND PROCEEDINGS

UNCORRECTED PROOF

No. 34

WEDNESDAY, 27 MAY 2026

- 1 **COUNCIL MEETS.**— The Council met at 11.00 o'clock a.m.
- 2 **ACKNOWLEDGEMENT OF TRADITIONAL PEOPLE.**— The President said:
“We meet today on Tasmanian Aboriginal land. We acknowledge and pay respect to the Tasmanian Aboriginal people and elders, past and present. We recognise them as the first inhabitants and the continuing custodians of this land.”
- 3 **PRAYERS AND REFLECTION.**— The President read Prayers.
- 4 **LEAVE TO TABLE ANSWER TO QUESTION AND INCORPORATE ANSWER INTO HANSARD.**— *Ordered*, That Mr *Duigan* have leave to Table the Answer to Question No. 30 and have the answer incorporated into the Hansard record.
- 5 **EXPORTATION AND IMPORTATION OF ELECTRICITY.**— *Ms Forrest* asked the Honourable the Minister for Energy and Renewables:—
 - (1) With regard to the operations of the National Electricity Market and directional pools and allocation rules:
 - (a) Can the Minister confirm and/or explain:
 - (i) that inter-regional settlement residues are separated into two directional pools – one for flows from Victoria to Tasmania and one for flows from Tasmania to Victoria;
 - (ii) that according to National Electricity Rules, each directional pool is allocated between the two regions and is this a specific rule or a convention; and
 - (iii) that the importing region receives the majority share of each directional pool?
 - (b) For electricity flows from Tasmania into Victoria, can the Minister confirm the percentage of the pool allocated to the Victorian transmission network operator?
 - (2) With regard to the treatment of Interregional Residue Revenue by TasNetworks, can the Minister confirm and/or explain:
 - (a) that any residue revenue allocated to TasNetworks, whether from the pool or from auction proceeds, must be treated as regulated revenue under the Australian Energy Regulator’s (AER) Post-Tax Revenue Model;
 - (b) that the AER requires all such revenue to be credited against TasNetworks’ allowed revenue, thereby reducing the amount recovered from Tasmanian customers; and
 - (c) that Hydro Tasmania does not receive any portion of the residue pool directly under the regulated model?
 - (3) With regard to the auctions and pre-auction deductions, can the Minister confirm and/or explain:

- (a) whether any deductions or allocations are made from each directional pool before the auctionable amount is determined;
 - (b) if deductions occur, can the Minister list the categories of deductions applied prior to auction;
 - (c) which entity receives any pre-auction allocations from the residue pool; and
 - (d) that Hydro Tasmania can only obtain exposure to inter-regional residues by purchasing units at auction?
- (4) With regard to the future electricity export dynamics under Marinus Link, can the Minister confirm and/or explain:
- (a) whether Tasmania is expected to become a net exporter of electricity once Marinus Link and the North West Transmission Developments are completed;
 - (b) if Tasmania becomes a net exporter, the dominant directional pool will be the Tasmania-to-Victoria pool;
 - (c) under current rules, the majority of the Tasmania-to-Victoria pool will be allocated to the Victorian transmission network operator; and
 - (d) whether the Government has undertaken any modelling of the expected annual value of the Tasmania-to-Victoria pool under future export scenarios; and
 - (i) If so, will the Minister table that modelling?
- (5) With regard to the Whole of State Business Case and information provided to the Minister and Cabinet, can the Minister confirm and/or explain:
- (a) whether the Whole of System Business Case provided to Cabinet included explicit analysis of how inter-regional residues would be allocated between Tasmania and Victoria under the regulated model;
 - (b) whether Cabinet was provided with modelling of the expected northward and southward pool values over the life of Marinus Link; and
 - (c) whether any analysis was provided to Cabinet on the risk that TasNetworks may receive little or no residue value in years where Tasmania is a net exporter?
- (6) With regard to the Post-Tax Revenue Model (PTRM), and related regulatory process, can the Minister confirm and/or explain:
- (a) the commencement date, regulatory period and any transitional arrangements applying to Basslink under the Australian Energy Regulator's revenue determination;
 - (b) whether the AER's Post-Tax Revenue Model will apply to Basslink from the commencement of regulated operation;
 - (c) whether the AER has provided any guidance to TasNetworks or the Government regarding the treatment of inter-regional residue revenue in the revenue determination; and
 - (d) whether the AER's revenue determination for Basslink assumed any inter-regional residue revenue in its modelling?
- (7) With regard to the building of new variable renewable energy generation and the role of Hydro Tasmania, can the Minister confirm and/or explain:
- (a) whether new renewable projects enabled by the North West Transmission Developments are expected to require Hydro Tasmania to provide firming or system support through Power Purchase Agreements;
 - (b) whether the cost of such Power Purchase Agreements will be borne by Hydro Tasmania; and
 - (c) has the Government assessed the combined financial effect of:
 - (i) Hydro providing PPA support for new renewable projects; and
 - (ii) the majority of northward residue value flowing to Victoria?
- (8) With regard to the Hydro Tasmania's export strategy, can the Minister confirm and/or explain:

- (a) whether Hydro Tasmania has advised the Government that it has “no export-driven strategy”; and
- (b) whether the Government’s energy policy continues to rely on export-driven revenue assumptions from Hydro Tasmania?

The Minister answered:

- (1) The most appropriate source of advice on the detail of the National Electricity Rules (NER) is the Australian Energy Regulator (AER) and in relation to the conduct of the settlement residue auctions, the Australian Energy Market Operator (AEMO).

That said, I am advised by my Department the interregional revenues for Basslink will be separated into two directional pools, with the southward pool having reference to Tasmania and the northward pool having reference to Victoria.

- (2) The most appropriate source of advice on the detail of the NER is the AER, and in relation to the conduct of the settlement residue auctions and the operational aspects of the regulated interconnector model, AEMO.

That said, I am advised by my Department that the inter-regional settlements residue proceeds received (either through AEMO auctioning the right to receive the southward interregional revenue - obtained by the successful bidders - or the absolute value of the interregional revenues that are not sold through auction) will flow back to Tasmanian customers through lower transmission network charges. That source of value offsets the allowable revenue that TasNetworks, as the coordinating network service provider (CNSP), is required to collect from Tasmanian customers for the Tasmanian region, including Basslink (or Marinus Link in the future, as determined by the AER from time to time). The southward interregional revenues (direct or auction proceeds) do not relate to TasNetworks’ allowed revenue in relation to its Tasmanian network.

I am also advised by my Department that Hydro Tasmania does not receive any proportion of either the northward or southward interregional revenues for Basslink, unless it participates in an auction to do so.

- (3) It is standard practice for market participants, including Hydro Tasmania, to purchase access to either northward or southward interregional revenues through auctions conducted by AEMO.

For further detail on the operational aspects of the regulated interconnector model, the best source of advice is AEMO.

- (4) The direction of energy flows between Victoria and Tasmania across Basslink are fundamentally a function of price differentials between the regions. Under normal energy market dynamics, electricity flows from low-priced regions to high-priced regions. The introduction of Marinus Link will not change this underlying dynamic. Once Marinus Link is online, the flows across both Marinus Link and Basslink combined will be a function of price differences between Victoria and Tasmania every five minutes.

Currently, Tasmania is broadly balanced across electricity supply and demand, provided typical/average inflows and wind patterns are delivered. In the current context, with Basslink returning to operate once again on an open-flow basis from 1 July 2026 (rather than transport/toll bidding), the primary driver of whether there are net exports or imports across Basslink over a year will be the weather. A drier (or less windy) than average period will tend to deliver a net import situation, due to demand outweighing supply, and above average inflows (or wind) would tend the system towards net export, as supply outweighs demand. Equally, any changes on the demand side would have a similar impact.

This core dynamic will not change once Marinus Link comes online. Whether Tasmania is a net exporter or net importer over a period will primarily be determined by the Tasmanian electricity supply and demand balance. This underpins the strategic importance of interconnection as not only an economic matter, but also for energy security.

The modelling undertaken for the Whole-of-State Business Case showed that Tasmania moves to become a net exporter of electricity once Marinus Link is online. It is important to note this is not due to Hydro Tasmania pursuing an “export-driven” strategy. This is instead because of a key shift in the Tasmanian electricity supply/demand balance.

Because Marinus Link provides a path to market where a large degree of new generation is required to meet the retirement of coal and given the modelled capacity factors of wind in Tasmania relative to elsewhere in the National Energy Market (NEM), the Tasmanian generation sector was modelled to expand at a rate greater than that required to meet Tasmanian demand only.

In a situation when Tasmanian supply regularly outweighs demand, the resulting outcome will be that Tasmania moves to become a net exporter of energy. In practice, the degree to which Tasmania becomes a net exporter over the long term will be a function of the future roll-out of new renewable generation in Tasmania (which depend on factors including commerciality, planning and environmental approvals), as well as the evolution of the on-island electricity demand (for example, the future of our major industrial customer segment, and potential new large loads, such as hydrogen and e-fuels and data centres).

However, regardless of whether there is a material shift in the supply and demand balance that results in Tasmania becoming a net exporter or importer, there will continue to be routine northward and southward flows across the interconnectors, at the five-minute interval. This is dictated by the relative spot prices in the Victorian and Tasmanian NEM regions.

Where price differences accompany those northward or southward flows (that is, the prices in Tasmania and Victoria separate) on a 5-minute basis, interregional revenues will arise. Even in a situation where Tasmania becomes a net exporter over a period of time (e.g. a year), this doesn't necessarily mean that the northward pool will be large or dominate the size of the southward pool. The size of the interregional pools is a function of both the volume of electricity flowing and the size of the price differences that accompany those flows.

The Government has not undertaken any specific modelling of these matters.

- (5) A key focus for the Whole of State Business Case was to consider, *inter alia*, customer price impacts through transmission prices (as well as wholesale price changes). As a conservative approach to examine costs and benefits, the analysis assumed all of the Tasmanian revenue requirement would be met through transmission costs, with no offset from interregional revenues, noting also at that time AER's Draft Determination had not accepted APA's application to convert Basslink to a regulated interconnector. Accordingly, no modelling was undertaken on the potential value of interregional revenues.

TasNetworks does not have a financial 'exposure' to the value of interregional revenues – as the CNSP for Tasmania it will pass through auction outcomes to customers. While there may be differences in annual interregional auction forecasts by TasNetworks and the actual auction results, these are 'trued-up' in following years as occurs now for differences between forecasts and actuals for its existing network (e.g. annual customer demand forecasts).

- (6) The most appropriate source of advice on the detail of the NER is the AER.

That said, APA has confirmed it intends to convert Basslink to a regulated interconnector as of 1 July 2026, following the AER's approval of its application.

The AER has not provided any guidance to the Government on the treatment of inter-regional residue, as this is not a matter for the Government. TasNetworks has undertaken its own analysis of the potential value of the southward interregional revenues for the purposes of determining transmission prices for Tasmanian customers in 2026-27. It will be required to do so for each financial year.

The AER revenue determination for Basslink set the maximum allowable revenue that Basslink will be entitled to earn, based on the same framework that applies to all transmission assets. In setting the maximum allowable revenues for Basslink, the AER was not required to determine potential interregional revenues for the interconnector.

There are several sources of revenue that can deliver the overall revenue requirement – the network charges from customers (both directly connected major industrials and the distribution customers), the value of auction proceeds for the north-south inter-regional settlements residue (or their actual value if not sold through the auction).

- (7) Shareholder Ministers updated Hydro Tasmania's Ministerial Charter in 2024, requiring Hydro Tasmania to build and deliver energy projects that focus on low-carbon emissions and align with Hydro Tasmania's competitive advantages that add to Tasmania's economic prospects and support

Tasmanian jobs, including through entering into firming contracts, partnerships or offtakes with developers and other energy generators.

Hydro Tasmania has published its market engagement approach, which outlines it has a structured procurement pathway through expressions of interest or tenders, ensuring fairness and transparency¹.

A power purchase agreement (PPA) with Hydro Tasmania is one mechanism available to provide new generation project with the revenue certainty needed to achieve final investment decisions.

However, the degree to which new renewable generation will proceed on the basis of commercial arrangements with Hydro Tasmania cannot be determined in advance, and it is not the only mechanism to support the revenue certainty needed for new generation projects.

The Federal Government's Capacity Investment Scheme (CIS) provides another avenue, and the Tasmanian Government has signed a Renewable Energy Transformation Agreement with the Federal Government, securing access to a dedicated allocation for Tasmanian renewable energy projects in CIS auctions.

Work is also underway on the National Energy Market reforms, including to address the mismatch between the long-term timeframes required for new sellers in the market, against the short-term contracts sought by market buyers, through the Energy Services Entry Mechanism (ESEM). The intention is for the ESEM to become the principal vehicle to provide the contracting requirement to precipitate the investment required to meet the challenges of the national energy transition.

Proponents of renewable energy generation projects can also manage their revenue risk by offtake arrangements with major loads in Tasmania.

- (8) Hydro Tasmania's future strategy is founded upon shifting the timing of its hydro production to periods that reward the flexibility of its plant. This creates the opportunity for new renewable generation to enter to provide the lower value 'bulk energy'. That entry could be in Tasmania directly, or the energy imported through the two interconnectors. It is about shifting generation to maximise the benefit of both imports and exports, not about simply pursuing an "export-driven strategy".

With Marinus Link at 750 MW and Basslink operating at around 500 MW, there will be around 1 250 MW of interconnection between Tasmania and Victoria, and the average system demand in Tasmania currently is around 1 200 MW. Absent a material shift in the Tasmanian load profile, this will mean that most of the time, Tasmania and Victoria will effectively operate as a single market (that is, the two systems will not face a binding transfer constraint).

In this context, the division between 'export-focus' and 'local-focus' become less relevant, and the source of value for Hydro Tasmania, and Tasmanians as its owner, is the variability in the Tasmanian/Victorian spot price – both the predictable daily and seasonal variations, and value derived from shortages of renewables driven by sustained weather conditions.

6 PAPERS.— The Clerk of the Council laid upon the Table the following Papers:—

- (1) *Tasmanian Civil and Administrative Tribunal Act 2020*: Statutory Rules 2025, No. 62, Tasmanian Civil and Administrative Tribunal Amendment (Fees) Regulations 2025.
- (2) *Security and Investigations Agents Act 2002*: Statutory Rules 2025, No. 63, Security and Investigations Agents Regulations 2025.

7 MOTION WITHOUT NOTICE.— *Ordered*, That Ms *Ratray* have leave to move a Motion without Notice.

8 LEAVE OF ABSENCE.— *Ordered*, That the Honourable Member for Prosser, (Mr *Vincent*) be granted leave of absence from the service of the Council for this day's sitting. (Ms *Ratray*)

¹ <https://www.hydro.com.au/sites/default/files/2026-02/market-engagement-approach-nov-20250ff51654-aa8d-49e6-ace8-ccc3146e0cb5.pdf>

9 BUDGET PAPERS 2026-27 AND APPROPRIATION BILLS (NO. 1 AND NO. 2) 2026: TAKE NOTE.— The Order of the Day was read for resuming the Debate on the Question, That the Budget Papers and Appropriation Bills (No. 1 and No. 2) 2026 be noted.

A Debate arose thereupon.

10 SITTING SUSPENDED.— It being 1.00 o'clock p.m. the Sitting of the Council was suspended.

The Council resumed the Sitting at 2.30 o'clock p.m.

11 QUESTION TIME.— The President called for Questions without Notice. There were two Questions asked.

12 BUDGET PAPERS 2026-27 AND APPROPRIATION BILLS (NO. 1 AND NO. 2) 2026: TAKE NOTE.— The Council resumed the Debate on the Question, That the Budget Papers and Appropriation Bills (No. 1 and No. 2) 2026 be noted.

Ordered, That Ms *O'Connor* have leave to Table the Tasmanian Greens Alternative Budget for 2026-2027.

13 SITTING SUSPENDED.— It being 4.00 o'clock p.m. the Sitting of the Council was suspended.

The Council resumed the Sitting at 4.30 o'clock p.m.

14 BUDGET PAPERS 2026-27 AND APPROPRIATION BILLS (NO. 1 AND NO. 2) 2026: TAKE NOTE.— The Council, according to Order, resumed the Debate on the Question, That the Budget Papers and Appropriation Bills (No. 1 and No. 2) 2026 be noted.

And the Question being put, It was resolved in the Affirmative.

Ordered, That the Budget Papers and the Appropriation Bills (No. 1 and No. 2) 2026 be referred to Estimates Committees A and B of this Council. (*Ms Rattray*)

15 BILL NO. 7.— The Order of the Day was read for the Second reading of the Education and Care Services National Law (Application) Amendment Bill 2026.

A Motion was made (*Ms Palmer*), and the Question was proposed, That the Bill be now read the Second time.

A Debate arose thereupon.

And the Question being put,

It was resolved in the Affirmative.

And the Bill was, accordingly, read the Second time and committed to a Committee of the Whole Council.

And the President having left the Chair, the Council resolved itself into the said Committee.

(In the Committee)

Ms Forrest in the Chair.

Clauses 1 to 5 agreed to.

Title agreed to.

Bill to be reported without Amendment.

The Council being resumed, Ms *Forrest* reported that the Committee had gone through the Bill, and directed her to report the same to the Council without Amendment.

Ordered, That the Third reading of the Bill be made an Order of the Day for tomorrow. (Ms *Palmer*)

16 BILL NO. 10.— The Order of the Day was read for resuming the Debate on the Question, That the Local Government Amendment (Targeted Reform) Bill 2026 be now read the Second time.

The Question was again proposed, and the Council resumed the Debate.

Ordered, That the Debate be adjourned. (Ms *Forrest*)

17 ADJOURNMENT.— *Resolved*, That the Council will, at its rising adjourn until 11.00 o'clock a.m. on Thursday, 28 May 2026. (Ms *Rattray*)

A Motion was made (Ms *Rattray*) and the Question was proposed, That the Council do now adjourn.

A Debate arose thereupon.

And the Question being put,

It was resolved in the Affirmative.

The Council adjourned at 6.21 o'clock p.m.

C.L. VICKERS, *Clerk of the Council*.

Briefing:

- *Education and Care Services National Law (Application) Amendment Bill 2026*