PUBLIC

THE PARLIAMENTARY JOINT SELECT COMMITTEE ON ENERGY MATTERS MET IN COMMITTEE ROOM 1, PARLIAMENT HOUSE, HOBART ON TUESDAY 13 OCTOBER 2026.

ENERGY MATTERS

The Committee met at 1.00 p.m.

Tasmanian Minerals, Manufacturing and Energy Council

CHAIR (Ms Forrest) - Welcome, Ray, and thank you for appearing before the Energy Matters Committee again. We have narrowed our focus, after doing an interim report and working on a subsequent one, to look at the impact of energy on major industry, particularly with the challenges facing some major industries and energy users that you and your organisation represent. We're focusing in on that particularly, not going to the broader piece right now.

This is a public hearing. Everything you say is covered by parliamentary privilege. That may not be the case if you speak outside of the hearing. It is being broadcast and transcribed and will form part of our public record. If you have any matters you wish to raise in confidence, you can make that request, and the Committee would consider it. Otherwise, it's all open on public session. Do you have any questions before we start?

Mr MOSTOGL - No.

CHAIR - Okay, I'll invite you to do the statutory declaration and then if you'd like to introduce yourself and make an opening statement, that would be great.

Mr RAYMOND MOSTOGL, CHIEF EXECUTIVE OFFICER, TASMANIAN MINERALS, MANUFACTURING AND ENERGY COUNCIL WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

Mr MOSTOGL - Ray Mostogl, CEO of the Tasmanian Minerals, Manufacturing and Energy Council. I welcome the opportunity to provide some insights but also to answer questions. I guess the sort of underlying principles that TMEC always takes in this area, particularly given recent commentary and events in the state with industrial-scale energy, our sort of principles are that whatever we do, we should be growing the pie; we shouldn't be swapping one part with another. Tasmania needs more industry, needs more employment, needs more opportunities and it needs more tax. All of that is needed. Growing the economic pie, I think, is a key thing.

The major industrials, while they've been around a long time - and I think often people make an assumption that they have no place anymore, they all produce products that the world still needs. Fundamentally, I think, that argument needs to be put under a different light. Yes, they have been here for a long time, but the reason they're still in business is that a lot of them have modernised. But, fundamentally, the market needs what they produce. I think that if we had a Kodak camera factory here, we probably wouldn't be making that comment. But we have got stuff that people need, the world needs.

Ms OGILVIE - We would have helped them go digital in time.

Mr MOSTOGL - Possibly, possibly. Our energy is a commodity that should be leveraged for economic growth; it's not just running the lights and power points. We are blessed. I'm not sure our forebears even understood just how much this industrial-scale energy could provide for the state. But it's really important, as we go through these changes, that we maintain that international competitive perspective on that.

The other part is that gone is the day where Hydro were the only retailer and therefore the Hydro bill was everything. We now have transmission, we have a whole lot of other distribution, we have a whole lot of other network charges that now make up the bill. The debate that occurs, it can be a very jaundiced view of what energy is in Tasmania, and it's the whole piece that's important. I think that to understand the various components is really key. I think that's the principles that we work by.

As a comment which will no doubt lead to some questions, if I look back just in recent times, obviously we saw Liberty Bell Bay close and there was a whole lot of factors there. The Bell Bay result is positive and people have moved away from the headlines. But the underlying story is incredibly frustrating. The same outdated, uninformed mindsets that went into the public domain in that debate - what should happen and how much should governments give, and what should governments do or not do, really highlights the fact that there is a lack of understanding not only within the community, but within government and decision-makers about the contribution that these industries make. I really welcome this opportunity to try and reset that.

I think that part of where we're at too, is that I don't see and I don't understand if the state actually has a cohesive energy strategy. It may have one, but I don't know what it is. I can't work it out with what I hear. I think that we've got this pot of gold which we are underutilising and, in fact, parts of the pot of gold are fighting against each other to the detriment of the state. I guess my pitch isn't about trying to get the cheapest power to major industrials. It's actually about using a resource that we've got really well for the betterment of the state and industry. But not just now; for generations to come.

I think we've got a national energy market that's in a massive state of transition and flux. That's complicating the picture. It's really easy to glaze the eyes over and get lost in all of the debate, but Tasmania does have some unique levers that it can pull that's separate to the national market. Again, I think it's because we're generally ill-informed about the opportunities, we don't play that appropriately.

Hopefully this inquiry leads to constructive outcomes. I've certainly, in recent times, been pushing pretty hard for the government to actually establish an industrial energy policy that puts it into a different light and is digestible by the community. I think that's one of the barriers; not only do the bureaucrats and, maybe, some politicians not understand it, but the community doesn't understand it. A well-done policy, I think, allows that debate to be had, for people to recognise what's fair and reasonable, and the benefits that they're getting and the risks they're taking. You know, it's not all beer and skittles. But I think to have transparency and clarity around that would be really useful. If today's input leads to something along those lines, I would be a very happy person. Thank you.

CHAIR - Thanks, Ray. Thanks for your submission, too. There's a number of matters that the Committee probably want to follow up with you. If I could just start off, you talk about the major industrial power agreement. Any of them should be not viewed solely as the price

achieved for a block of energy. You outlined a whole range of other matters that should be considered in that - the employment, the capital expenditure, exports, and so on. You talked about the lack of an industrial energy policy, and even just a broader cohesive energy strategy generally from the government. In order to progress that, how do you see that happening?

From my perspective, I think the importance of having a transparent open process around this, where if there are decisions being made to provide financial support, it shouldn't be hidden in some hidden document, but perhaps in the Concessions chapter of the budget papers saying, 'This is how much we're supporting and this is why', because of these things you've outlined. But how do you see that? What should we ask the government to produce, if that's what we we're doing? Where do we start?

Mr MOSTOGL - When I talk about this, and the discussion I've had is that it might tell me that I've been barking up the wrong tree for a long time. But I think there's a piece of work -

Ms OGILVIE - Doubtful, Ray.

Mr MOSTOGL - Quite possibly, quite possibly. So, I don't go into it with the view that I know what the answer is, but I describe a process. And I think the first thing is to actually determine the full value that comes to the state. If you look at the Bell Bay example - and that's only one, they fund TasPorts, they fund TasNetworks, there's payroll tax. So, there's a whole lot of other contributions that come. Yes, they pay Hydro for power, but it sort of seemed like in that discussion that it was all on that energy contract, and it didn't matter whether TasPorts were going to miss out on their millions and payroll tax was going to miss out on their millions.

Ms OGILVIE - It's a whole ecosystem.

Mr MOSTOGL - It's an ecosystem. I think the first step is to value that. What is the full value? What does the government get and what are the indirects? Yes, there's subsequent employment, et cetera. But what comes into the government coffers? I think step one is to actually value that.

CHAIR - Whose job is that?

Mr MOSTOGL - I think Treasury should be doing that. I don't think you'd want a consultant. I don't think you'd want the industry body providing that. I mean, we'd be putting input to it, but I think at the end of the day those revenue flows are coming in now, all right? They're all in the state businesses, the government business enterprises. I think it's about sort of consolidating that. I was interested that in the Bell Bay announcement, the Premier mentioned that Bell Bay would contribute $1 billion over five years, so that number must be out there somewhere, and I don't know whether that was rounded up or rounded down. But when you start adding up what they contribute - and some of that's indirect, so you might want to carve that out and say, 'Well, look, that's not what the government gets directly, but this is what the government gets'. I think step one is just to really understand what's the value proposition so that we don't get into a debate about, 'Oh, someone's going to take a $5 million haircut here, one business, but we're going to lose $100 million over here'.

CHAIR - In that, saying there's whatever number it is - $1 billion, $5 billion, $10 billion, just putting that out in a media release doesn't have any context and people don't believe it.

Mr MOSTOGL - No, that's right. That's why I think Treasury or someone that's credible does the work and go, 'This is what these businesses contribute', and you don't have to dissect it down to say, 'Well, this contract is commercial-in-confidence'. You can say: 'This is the net value that business provides directly to government. Here's the indirects.' So, allow them to do it in a way that the government trusts. The public don't trust it, but at least the decision-makers need to have a credible set of numbers that they can go, 'All right, we're having to choose between here or we're having to make these decisions; show me the numbers', as opposed to the presentations made by companies directly, et cetera. If you're talking about process, I think that's step one.

The other bit that I think that needs to happen is, what would be the impact if that load was lost? That's another number. That might say, 'Well, this will see' - . So, for example, this is my understanding, but the TasNetworks component was the biggest increase in the electricity bills that everybody got from 1 July. The Economic Regulator said wholesale price was largely flat, but transmission costs - and what that was, in my view, is that the revenue that Liberty Bell Bay were no longer paying to TasNetworks was then directed back to the Tasmanian public.

CHAIR - That's how it works.

Mr MOSTOGL - So everybody's paying more for that. TasNetworks have got their revenue stream back, but we've all paid for that. I don't think that's well understood. When a load is lost, it's not just the jobs; it's about, well, what are those subsequent costs like freight, TasPorts - a business might be 10 per cent of TasPorts' overheads. Well, that 10 per cent is going to be redistributed because they're still going to have those overheads. I think we've got to have an understanding of that's the penalty that comes by losing a load.

I think the other part in that equation, then, is Hydro's cost of production. I know Hydro will talk about what we can sell it for, what we do sell it for, because we either have to take directions from government or we're making a call somewhere in here saying there's some social and economic benefit for the state. But that doesn't relate to Hydro's cost of production. And I appreciate that's commercially-in-confident. But I would just simply show an index to say, 'What was your cost of production in 2010?', and just use that as a '1' and index it so that the state can see where is their cost going relative to where it's come from. How does that compare with the world's energy prices? So, once you have some relativity, you go, 'Well, Hydro's actually doing a bloody good job. Their price is pretty well on the mark with what's happening across the world.' But if it's not happening, then you've got a different discussion to have. Because one of the issues is, I think people are thinking that Hydro has to lose money to meet the requirements of a large industrial load. That's too simple an argument. I think it's about saying well, where is it relative to their cost of production?

I think then you pull all that together into a whole-of-state business case, a bit like what was done with Marinus. I think Marinus would not have ever got up just on its own numbers. It needed to use the Whole-of-State Business Case. And I think you should apply the same. Whether it's Bell Bay Aluminium continuing for 10 years or Firmus coming in and building a data centre, I think you apply those rules and those formulas to that whole-of-state business case. And then you've got a very simple decision to make: go 'Well, this is where they sit relative to the others'.

Of course, you have a social element that you have to apply. You can't just look at the numbers. But at least you've taken the numbers and you've got the relativity of that, and you can say, 'Well, I'm not guessing any of that. I know what the dollars are, I know what the impact is on the state; now let's look at the social and other things that governments have to take into account when they make a decision', because it's never going to be a one-zero type decision.

CHAIR - You made the point over here about another way to look at megawatts is by knowing how many people are employed per megawatt and what is the economic contribution of a megawatt. Can you flesh that out, how you would measure that?

Mr MOSTOGL - Well, we did some work - this is well outdated now, but the University of Queensland did this work independently, was funded by Rio Tinto at the time, and it worked out the value of a megawatt being sold into the mainland versus a megawatt being used on the island. And it was a five times multiplier. Now, that's 10 to 14 years ago, so that number won't be what it is. But that was quite revealing to think that you were getting five times more value out of that megawatt here. Whereas people had a mindset at the time saying, 'Well, no, we should just sell because anything we can sell is extra'. Well, actually, no; it is extra, but it's five times more if you can use it on the island.

CHAIR - AEMO now control a lot more of that than what - because Hydro used to manage that when it wasn't a regulated link, Basslink, but now it is, and AEMO have called the shots.

Mr MOSTOGL - Yeah, that's right. So, we have to take into account - I mean, this was the discussion that happened with the data centres. From our point of view, the data centres were a good thing because they would have funded the transmission system. So, effectively, what Liberty stopped paying, a data centre could have picked up and we would have all been okay. The data centre is not going to have a lot of jobs per megawatt, but that's still okay. At least you know what you're talking about, right? You might say that's a half a job per megawatt versus this a ten-job-per-megawatt deal. So, again, you start to put it in a frame -

CHAIR - By spreading the transmission costs across a bigger -

Mr MOSTOGL - Well, you divide your number of jobs and then the community gets a bit of a sense and go, 'Well, actually, they're both good deals, but this one actually results in five times more jobs for every bit of energy than this one', if you have to pick and choose which is the better one. Again, it's just about putting proportionality around that so you can go, 'Well, how hard I'm going to try chasing this one versus how hard will I try chasing this one because this is going to have much bigger benefits'. It's really around trying to bring a measure that people can relate to that allows us to go, 'Why would we pick that over the other?'. I think that's the biggest thing in the community: they don't really sort of see the whole picture, it's not presented to them. I'm not critical of the community, but the reality is we just don't have an intelligent way of describing those things.

Ms FINLAY - But if there's sufficient generation and the pie is growing, we could have both.

Mr MOSTOGL - Well, we do.

Ms FINLAY - There doesn't have to be choice; there doesn't have to be attention there.

Mr MOSTOGL - But even that, that scenario of growing the transmission and generation before we need it, is an issue, is a cost. Again, you have to take the risk and you might have to say, 'Well, how does the state wear that cost until the load comes available? How do you shield people from those increased costs?'.

CHAIR - Well, you can't with a lot of them because it's regulated.

Mr MOSTOGL - Well, it's regulated but - well, I wouldn't say you can't. I mean the regulations don't allow it -

Ms FINLAY - There's policy that you can do within that.

Mr MOSTOGL - as they are, but whether you can do it with another mechanism, through a rebate or something like that.

Mr BAYLEY - Given that conversation and the benefits that you've talked about, your submission says that you don't think it's sufficient for Hydro and TasNetworks to focus solely on maximising their individual commercial returns. Do you feel as if they have been over -

Mr MOSTOGL - Well, I don't feel. I know they have.

Mr BAYLEY - You know they have been?

Mr MOSTOGL - Well, I believe they have been because the public debate was Hydro could not move any further from this number in the Bell Bay negotiation, as reported in the press. So, they weren't taking into account anything else. They were talking about what they could sell that electricity for and -

CHAIR - Based on what, do we know?

Mr MOSTOGL - No, not on what. But that was sort of - the whole balance of the decision of whether you have a smelter here or not at that point was described as whether there was going to be a commercial deal done between Hydro and Rio. And the other costs of TasNetworks, TasPorts, payroll tax weren't in the public domain. Somebody in government would have been working that out, I'm sure, but the debate and the opinions get skewed by the information that's available. If there's bits missing, then you're going to have this jaundiced conversation. And that's what we're trying to avoid.

Mr BAYLEY - Yeah. So, now there has been an agreement reached and -

Mr MOSTOGL - Yeah, but that's interesting. Why is it only five years?

Mr BAYLEY - Well, exactly. Why is it only five years? And going to the question around transparency, I suppose someone somewhere along the line has taken into account some of those benefits, and they managed to close the gap to nothing and did a deal.

Ms FINLAY - I don't think it's benefits, though; I think it's pre- and post-Marinus prices. You can talk about cost of reduction, you can talk about where Hydro go, but when they talk about market, there's multiple different markets: which market are you talking about?

Mr MOSTOGL - I'm making an assumption here, but if you look at the Hydro forward curve, in five years' time, it just goes through the roof. So, anybody that's saying that when Marinus comes, we're going to have cheaper energy, they haven't told Hydro.

Mr BAYLEY - Just coming back to transparency, we talked about that a little bit, but I guess people like Saul Eslake, who we'll hear from this afternoon, has put very squarely on the table there should be transparency around the public concessions. His proposition is they get built into the budget. Otherwise, they could be literally just put on the table. What's your and your members' views of that? They've always been hidden in commercial-in-confidence.

Mr MOSTOGL - Yeah, you know, from a commercial negotiation point of view, I don't think it's appropriate to reveal prices because every negotiation is case-by-case. Each of those major industrials can offer different levels of service to Hydro, so Hydro is getting different value propositions from each of them. So, it's really almost irrelevant. Even if it was shared between them, they'd have to pull it all apart to go, 'Well, what's unique about this smelter over this smelter?'. So, I don't -

CHAIR - Who can load-shed quickly, who can't, that sort of question?

Mr MOSTOGL - Yeah, that's right. So, I don't think that you need to get to that detail, but I think at a high level to the state, there should be some transparency and say, 'Look, overall, this is the value proposition that by continuing this operation, this is what the state benefits from. This is what the state generates, versus if we didn't have them, this is what the impact would be.' That's the transparency that I think should be out there, not, 'How do we dissect that, how do I trust those numbers?', because I think that some of those things will be publicly available but a lot of it will be commercial.

CHAIR - But none of it's publicly available.

Mr BAYLEY - But the only way you can really make an assessment is if you do know the numbers and you do know the amount of concession that's been offered.

Mr MOSTOGL - Yes, so someone needs to. Treasury is probably best situated for something like that to do that calculation, or the Economic Regulator, or somebody that's independent that can look at it and go, 'Yep, this is it'.

Mr BAYLEY - To make an assessment?

Mr MOSTOGL - That's right. What we need is a policy that actually creates that framework, and the expectation and the governance around that, so that we can have that.

CHAIR - A net economic benefit or disbenefit is what you're talking about?

Mr MOSTOGL - That's right, yes. So, once that's articulated well, you know, 'We either continue and we earn this much a year out of this business, or we discontinue and we see this impact', I think that's the transparency. I know Saul talks differently, but I agree with the transparency because I think community has got to have confidence that the right decisions have been made for the state. Currently what we're reporting and what they're seeing doesn't

allow them to make that decision, so it's got to change, but I'm not sure I'd go as far as Saul's comments.

Ms FINLAY - That's actually a lovely segue to my question. Thank you for the submission. There's a lot of content in there that we've sort of discussed before and I appreciate elevating the conversation up to that value piece. But starting at the end of your submission with your conclusion, where you talk about your overarching principles and that maximising value, we've just talked about the Bell Bay deal being for five years. In the event that our Committee recommends that the state needs to clearly identify an energy policy, an energy strategy, an industrial energy strategy and then, in parallel to that work, which may or may not be fast, we're down the line already now on the next five-year deal for Bell Bay. Nyrstar will be in play at some point, Grange electrifying, there's all sorts of things going on. So, from today, we need to have an architecture in place if those strategies aren't in place. If you were designing the architecture in order that we don't replay what's happened now at Bell Bay Aluminium in five years, what would that process look like?

Mr MOSTOGL - Well, I think the process, as I described, is that you start with doing that analysis to say, 'Okay, how are we going to measure the contribution of these businesses? How do we measure the value that they provide?'. Then you just work out what's the consequences of not having them, economically, and you then understand what the - you can provide a ranking, I suppose, about: is it better to keep this going or should we walk away from it?

I think the architecture is really around that framework of how do you count the direct and indirect benefits, and then you apply that to all of the enterprises so it's not a one-size-fit, you know, one for this organisation, one for this. It's really any load. You might say anything above 50 megawatts. That's how the state measures it. Now, it's not a lot of businesses above 50 megawatts, whatever the number might be. And then you've got this ability to say, 'Well, you know, there are other benefits than direct payments to Hydro from this enterprise and, therefore, we need to need to have a look at that'.

I think it's sort of incumbent, if we've set ourselves at 200 per cent T-RET, then we've got to have the mechanisms to say, 'Well, who's going to use that energy? Is it just going to be sold or is it going to be used on-island? If we know we get more benefits, then how do we value; which of the proposals do we chase?'.

Ms FINLAY - Thank you. Can you put on record for the Committee a bit more around the current status or state of our major industrials, or large energy users, so not just those three major industrials, around their current relevance in a local economy, in the global economy. They're perceived in these public narratives, they were presented as old, dark, dirty, run-down, you know, no capital investment, those sorts of things. From the TMEC perspective, how do you describe their currency and their ongoing value for what sort of time period?

Mr MOSTOGL - I think the first thing is, can they sell something that people want? Yes, they can. They're producing commodities. The world needs more commodities, particularly metal-based type ones, as part of its - it used to just be developing countries that created the demand for new products because there used to be almost a plateau of this many kilos per person in a developed economy used aluminium or steel. When economies around the world, or countries, move from sort of subsistence through to urbanisation, concrete, steel, copper, glass, things come in. But now the developed world's going into renewables, so their demand for products is increasing. The fact that you've still got Africa, India and China still

urbanising, there's an underlying demand for that. But then you've got the developed world wanting more of these special metals to feed the renewables. If anything, the market's much stronger for that. That's why we're seeing some really crazy prices for some commodities. I think at the end of the day, there's people who want to buy this product. I think that's your first test. Don't prop up something that no one wants to buy; that doesn't make sense.

In terms of 'old', yeah, they've been here for a long time. But the level of modernisation, I mean, some of those control systems that they use are more sophisticated than anything in this state. A lot of electrical companies and manufacturing companies that provide services to those organisations, they get upskilled on the latest technology in the world because they're providing services in there, whether it's robotics or levels of automation. The technology that these guys are putting in, these companies are putting in, drags the local community and service providers up into that space. There are electrical contractors you wouldn't even touch going into some of these places, where there's others, they're into it. They understand their automation, they understand the interface between the plant operating and the control system. Those businesses are still in place because they have automated and they have updated. It's not the 80-year-old technology that they're still running on. They might have an 80-year-old footprint, but what's inside there is considerably different now. They have to do that just to maintain their costs and the quality, to maintain relevance.

CHAIR - Have they not been good at telling their story then, Ray?

Mr MOSTOGL - Yeah, I know.

Ms FINLAY - That's partly why I asked you to put it on the record.

Mr MOSTOGL - Yeah, as an organisation, we need to do a much better job in just educating people in a trustworthy way about what's going on out there and the sort of benefits.

CHAIR - I did mention some of this.

Mr MOSTOGL - Yeah, yeah, yeah. And I accept that criticism. That's something we're working on as an organisation right now, is how to put something out there that doesn't shout at you but just raises the awareness. At the end of the day, people make their own decisions. We're not telling you what to decide, but we should give you the information so that you can go, 'Oh, okay, I've heard this, I've heard this. This the choice I'll make.'

So, I think the relevance is still there around that. Look, to be honest, the risk of short-term energy contracts is that the pay-back period on any capital is over the length of the contract. It's a bit like the mines. When they do their survey and say, 'We've got a mine life of five years', well, effectively, all their expansion plans have to be recovered within five years. Whereas if you have - like, New Zealand's Aluminium Smelter had a 20-year contract. They've just signed it in the last two years. So, they've got 20 years to recover investment costs. You make very different decisions when you know you're here for 20 years as opposed to, 'we've only got five years'. That's a downside of the five-year decision, that it shortens the timeframe.

CHAIR - With the industrial energy policy, should that be developed by the government, because things do move and change very quickly at the moment, what would be the reasonable timeframe? Five years is obviously too short.

Mr MOSTOGL - Yeah. I think sort of 10. Technology changes, markets change, so people are going to get nervous about investing in a window beyond that. But I think 10 years is a reasonable timeframe to say, 'Well, this is the return that we need to take into account'.

CHAIR - The banks like a bit longer sometimes. You can always talk to Ben.

Mr MOSTOGL - They do.

Ms FINLAY - Can I ask one more question on that, just to close down that Bell Bay precinct conversation. We've seen what happened with Bell Bay. Do you think, with an appropriate energy deal, there is a future for the Liberty site and the product that the world needs from there?

Mr MOSTOGL - Well, they certainly need the product. I mean, Liberty, unfortunately, there were really poor decisions being made that actually stripped value out of that business. The amount of investment that's required to get it back up is significant. They've got - I don't know if you've been in the control centre there but it's amazing. It looks like a bloody *Star Trek*-type chamber. That's the sort of technology. That's probably 15 years old, some of that, but it's still pretty amazing what they can do. That was a profitable business, they were making money. It's just how do you unwind the decline that's occurred as that reinvestment that's required in those heavy industries stopped? That's a big ask for anybody, even a private company, to go in there to do that. They would need a long-term contract to recover that cost because it would take considerable time to do that.

Ms OGILVIE - Nice to see you, Ray. I would like to talk about the tech sector because I know how integrated it is already and we see great opportunity, I think, for productivity improvements from the fish farms through to TMEC right across the state - energy, health, et cetera, education. The tech sector, I believe, is worth around $1.7 billion to the state. What I see happening - and I'm hoping you could shed some light or share some views about this, is a confluence between the major industrials and the emerging data centre, which is the era of big data and AI, which, undoubtedly, your members would already be using to improve all sorts of things, and the potential benefit for the state in that productivity improvement and uplift.

I have quite a specific sort of question because I was very sympathetic to what you were saying about jobs per megawatt, what is the test, how do we work out who do we prioritise if there's a limit to the amount of energy available? Having spent 30 years in the tech sector, it's a very different sector, the way it's structured, and I'm sure you appreciate this. We talk about it as an ecosystem, so it's less vertically integrated; it's more horizontal. I think it needs a model that can speak the language that you're talking about. Somehow, we're going to have to work out how to assess the value of AI tech data centres per megawatt and their ecosystem -

CHAIR - Is that what the question is?

Ms OGILVIE - Yeah, he's following me, I can see him nodding - and what we're currently doing with those major industrials. My question is, how would you propose we do that when we're dealing very much apples and oranges? Is there a way of doing that? And who should be doing that?

Mr MOSTOGL - Russell Kelly and I have this conversation on and off.

Ms OGILVIE - I have it with him, too.

Mr MOSTOGL - So, it's almost like a dating site.

Ms OGILVIE - Correct. How do we mesh it?

Mr MOSTOGL - How do we mesh - because, as you say, the IT, very, very niche specialties, but then those major industrials have very niche problems.

Ms OGILVIE - Correct, and the telecommunication stuff.

Mr MOSTOGL - So, it's how do they know to look? I don't have a simple answer, but there would be capability here in Tasmania for solving productivity problems in those enterprises. I have no doubt about that. It's just about how do you actually understand what your problems are?, because they are so specific that most people would be so bored listening to it. But if you find one supplier that specialises in that and they solve that problem, that's a game changer for some organisations. Russell and I have talked about trying to have some more interactive-type sessions between the industry associations.

Ms OGILVIE - I think I specifically, though, trying to get to the jobs per megawatt measure, which I know is traditionally what we've done when we think about our wonderful Hydro and how we assess the net benefit of each megawatt. But that's not an assessment that you could easily apply to the tech sector because of its ecosystem and horizontal layer.

Mr MOSTOGL - That's right.

Ms OGILVIE - I think that, to me, seems to be a critical point to work out: how we can actually bring the old and the new together under some sort of strategic assessment, yeah?

Mr MOSTOGL - Well, I mean, I think you start getting into potential value propositions -

Ms OGILVIE - Yeah, I think it's about the value proposition.

Mr MOSTOGL - But then if we were talking about trying to have something transparent that we can trust, when you talk about potential, that starts to get - there's a whole lot of assumptions that go into something there, so it gets a little bit nebulous, I think, is one of the one of the challenges with that. I think there's certainly merit in what you're saying, there's no doubt about. But how do you present that in a way that's meaningful? I'm not sure how best to do that.

CHAIR - Ray, you did say, in your opening comments, that the state has levers to pull separate to the market. Can you talk a bit more on what levers you see and how they are best used?

Mr MOSTOGL - In the energy space, the National Energy Market is really determining wholesale price, largely. So, we're at the behest of federal government policy and it delivers an outcome for us, and we have to ride that through, like everyone else, at least on the eastern seaboard.

The bit that Tasmania controls is the transmission and distribution. So, the more prudent and hard-nosed we can be around how we invest, how we design, where we run transmission lines, the more likelihood that we're going to have a lower overall cost of energy. My confidence in that builds all the time because when I look at the developments that are going on in the other states, the wind farms are all in the middle of nowhere. Huge transmission line investments are required. I can't see how they're - they're going to just see a skyrocketing in cost of that. If Tasmania is really hard-nosed and says, 'We are going to drive the lowest possible investment in terms of expansion in our network', then we stand a chance of actually having a competitive advantage over certainly the rest of the country.

But my solution is really to address this whole, 'Are we internationally competitive?', because the major industrials and future, like the data centres, they can go to any country and invest. They don't have to be here. So, we have to provide an advantage. If energy intensity is part of an input to an industry or a business, then having the lowest network cost is the bit we can control.

CHAIR - Ray, I don't think it was you - I'm just looking through your submission, but someone in the submissions we've received talked about perhaps we need to rethink the renewable energy zone.

Mr MOSTOGL - Well, I've said it in the past, if it's not in this one.

CHAIR - So, is that one of the things? Because this is -

Mr MOSTOGL - Yeah, that's how we can control it, by pulling that back, because I think some of the renewable energy zones have landed because that's where proponents have shown an interest, and we're on the back foot. And I understand it. Some of these things have taken off pretty quick, and governments aren't all-knowing and all-seeing. But the fact is we've got a reset opportunity to go on and go, 'Hang on, let's put these REZs right next to existing transmission lines, let's try to reduce the amount of biodiversity that gets chopped down to build these things, let's try and reduce the number of communities that are impacted'. Our simple principle is large-scale generation sites, so not have 10 individual ones with all transmission lines and 10 communities affected; have a large one. I know that's ugly -

CHAIR - Close to -

Mr MOSTOGL - it's ugly for that area, but overall -

Ms OGILVIE - It's a consolidation thing, though, isn't it?

Mr MOSTOGL - the state's better off.

CHAIR - As long as it's close to existing transmission.

Mr MOSTOGL - That's right. And then your transmission investment is saying, 'Well, we're not just moving 50 megawatts; we're moving 400 megawatts, or we're moving 500 megawatts'. That's a different proposition to having lots of little outposts and satellites of this infrastructure.

CHAIR - Do you think this is the government's approach, or you're not seeing that?

Mr MOSTOGL - Well, I think the developers have started and the government's trying to sort of ring-fence it around, like working backwards somewhat, and probably reluctant to change horses now. But we're going to be stuck with that for decades.

I think it would be a bold government to say, 'Look, actually, we're not going to permit that development in that area', and work out some sort of a grandfathering thing or whatever. If they want to be redirected to another location in the state that's more aligned to this overall strategy, then work out what does that look like in terms of compensation for money spent.

CHAIR - So, this is the work that needs to be done in your strategy?

Mr MOSTOGL - That's right. I would rather cop the pain now than say, 'Oh well, that's an opportunity that we're not going to take political heat on that', but the consumers are going to pay for that for the next three, four decades. I think that's the bit - and I think the government needs to explain it and say, 'Look, if we allowed this to happen, this is what it would have cost; by doing this, we're going to save every Tasmanian household by this much.' I think people can at least go, 'All right, I understand why you made that decision'.

Ms FINLAY - Have you done a desktop study of where you perceive best located new generation infrastructure?

Mr MOSTOGL - Not so much as in terms of mapping wind resource. I would just start with where's the existing transmission corridors and then overlay what's the wind resource look like in that? And wherever you find a hotspot of wind and existing transmission line, then I would think that's got to be a good proposition. I mean, that's not the only decision, but I think that's a start.

Ms FINLAY - In terms of scale, on-island scale, does TMEC have a position about the proposal at Whaleback Ridge?

Mr MOSTOGL - The scale of Whaleback Ridge, I think that's what we're talking about, large-scale. Having one or two of those in Tasmania and not have 10 little ones, I think, would be overall better off.

We're working closely with the Whaleback Ridge proponents because they're in a location where there are existing mines. We're working through a process to say, 'Well, if you want to mine under a wind farm, what would that look like?'. And that's just about trying to work out sensibly, and there's obviously nothing that would be legally binding, but it's just an in-principle go, 'Well, how would you do that? Okay, we're going to take 20 towers away, and what's happens with those 20 towers? Who pays for that? Where do they go if a mine goes in there?'. It is a hypothetical, but it means that if we can land on a set of guidelines, the wind farm developer knows that this could happen, but also a mining proponent looks, goes, 'If I find it under there, if I'm exploring in that area, this is what it would look like. This is what my business case would need to be able to handle in that', so that you're not going into it with some big legal challenge. You'd be going in with your eyes open.

CHAIR - Should the mine themselves then compensate the proponent?

Mr MOSTOGL - I think that is the work we have to go through on the guidelines with the industry. We've agreed to do that work with them and just to see if we can land on some

sensible guidelines. It is not binding, but if we can think through some of those issues, then it makes it a bit more transparent for everyone else how that could play out.

Mr HISCUTT - I wanted to know, from your understanding, if those renewable energy zones were to be re-looked at and consolidated, from your perspective, is there a risk of proponents pulling out from investments if that were to happen? What's your perspective on that, obviously recognising that risk could be worth it, but what's your thoughts?

Mr MOSTOGL - There's definitely a risk there with those proponents. I think it potentially damages our sovereign risk in terms of Tasmania changes the rules. But I also think that Tasmania is protecting its consumers and it has a goal to have the lowest energy price in Australia. It somewhat helps the argument to say we're prepared to take some pain now for the long-term benefit. Again, I think you need to work through if a proponent spent $10 million, for example, on studies and what have you, do they get first preference at one of the other new zones and what does that do so that some of that $10 million is somewhat offset in fees or charges so they can reevaluate their proposal, but in a different location?

I'm not a wind farm developer, so I'm sure they'd be cringing at some of the things I'm saying. If you look at the big picture and you want to have the least impact on the community, least impact on the land, lowest cost energy in the long term, that's what they need as well. I think that we just need someone to be really courageous and lead that change.

Mr BAYLEY - You mentioned Marinus before and you talked about prices, particularly transmission costs. Do you have an update for the Committee in terms of the government's made a commitment to ensure that the major industrials and the direct-connected customers are insulated from those quite significant increases in transmission costs? Do you have an update on where that conversation is at, how those negotiations are going, how it's actually going to happen?

Mr MOSTOGL - Well, no, that's the question we're asking: what the mechanism? I understand the government is working on it. We're working to try to determine what is the fairest way to do that.

Mr BAYLEY - Working with you or working with the companies?

Mr MOSTOGL - They're doing it internally. My last update was that we're still looking at it from a consultation point of view. I'm not aware that they've spoken to anybody about it. I don't have any sort of details other than the commitment that has been made publicly by the Minister is that 'We will do something to try and offset that so they're not worse off under that scenario'. And, as you said, there's significant costs. If that policy doesn't occur or that isn't implemented, then there are big issues for this.

Mr BAYLEY - How are your members dealing with that uncertainty as it stands at the moment with Marinus, which for all intents and purposes is going ahead?

Mr MOSTOGL - Well, I guess that's why maybe we've only got a five-year contract, because no one's really facing up to that yet. And until they can sort of see what those numbers look like, and contractually, because that's ultimately what it needs to be; it needs to be something that's locked in that you can rely on. We're obviously not in that position, so I think getting that resolved would be really important.

Mr BAYLEY - So, you're saying a five-year contract might be something that Bell Bay Aluminium insisted on because of the uncertainty going forward?

Mr MOSTOGL - Well, I don't know, because there was always talk about 10 years in the media and then, all of a sudden, it was a five-year contract. I'm trying to work out what that is. I looked at the forwards, and I thought, gee, in five years' time the price goes through the roof. Maybe that was it. That coincides with Marinus, as you've just articulated. The government rebate or protection hasn't been locked in.

Mr BAYLEY - Articulated yet.

Mr MOSTOGL - So, there's a lot of unknowns and maybe that was why it stayed as a five-year contract. I'm making that assumption, but I think it has reasonable merit. They may not be the only factors, but I reckon they were some of the key factors.

Ms FINLAY - Given all of those things, and it's been at least a year since the announcement was made about the instrument for your transmission offset, but you're still not sure if there's consultation, not sure if it's under development, where it's at?

Mr MOSTOGL - Well, there's no consultation, I know that. There was work getting done the last time I was given an update.

Ms FINLAY - I was preambling with an example that if we do get an industrial energy strategy, we're going to be five years down to Bell Bay before we get there.

I asked a question before about how would you construct the architecture and you talked about the value of megawatts in the community. But if you were the minister and/or the department and you knew that five years down the track were starting, how would you make sure that we are not in this position again in three years' time really, because it's not five years; we have to be working on these things well in advance of a year out.

Mr MOSTOGL - That's right.

Ms FINLAY - That's two years down the track. It's unlikely that they're going to have an industrial energy policy up by then unless there's significant pressure. So, other than what we've discussed, what else do we need to be doing to make sure that we're not in the same negative public narrative again?

Mr MOSTOGL - Well, I don't like doing half-botched solutions or half-baked solutions. The other one that I would go back to is the claim that has been made over the GBE review is that they're going to make decisions based on what's best for Tasmania. That hasn't happened. I don't believe that's happening. That's in the current charters now and I would be holding organisations and ministers to account, to say: 'Demonstrate this, demonstrate how Team Tasmania is functioning, given how this is playing out.' Because you're right, it's three years before they start but Nyrstar's got a contract. Other contracts will come and go. Firmus, all those organisations who need energy, are going to come in and have this discussion. We need to sort through that. The Team Tasmania charter mechanism is the piece right now. That legislation is going through the House soon, if it's not already, the second tranche.

We've continually been disappointed with the amount of change that's been proposed because it's been largely about governance. I understand the governance was needed after the TasPorts and TT-Line exercise. I get that. But if we're going to open these things up, all our submissions are very public about the benchmarking and performance measurement, and take into account what's best off for the state. It's all in there but there's been no appetite to take that on.

Ms FINLAY - Yes. And interestingly, you talked about 50 megawatts being the benchmark. If you look at the Boyer electrification of their boiler, if you had a value proposition there, not just a price proposition, that would have been done.

Mr MOSTOGL - That's right. Yes, it may have been a very different story, and then the public would have had a better, different view of what that was all about.

CHAIR - The public narrative needs to be clear: there was enough energy in the state but -

Mr MOSTOGL - The price.

CHAIR - It was the price. Can I just go to another area for a minute? In your submission here, Ray, you talk about the Committee - this is bottom of page 4. It starts the Committee:

> should give particular attention to how the costs and benefits of major energy infrastructure investments are allocated across the system, including the cost recovery frameworks for Marinus Link and North West Transmission Development and the potential transition to Basslink -

Well, it is regulated now, so we've moved past that bit:

> Consideration should also be given to the equitable treatment of direct-connected customers and whether network augmentation costs should be borne by those who directly benefit from new infrastructure or socialised across all customers.

Would you mind just fleshing that out a bit more, how you see that should be done?

Mr MOSTOGL - Well, the analogy that I've used, and it doesn't always resonate in Tasmania because we don't have tollways, but if I use a tollway as an example, a tollway through the middle of Sydney or Melbourne: it goes in to address congestion, but only those who use it pay for it. If you want to drive on the old roads, you don't pay for it. Some of the augmentation of Battery of the Nation, North West Transmission and Marinus isn't required by existing consumers in Tasmania. It's around the notion that it's always the user pays. If you don't need to use all this new infrastructure, then why should you pay for that? That was really that differentiation that not every Tasmanian needs Marinus, not every Tasmanian needs all that expense, but those that do need it should wear the cost of that. If Hydro needs it to sell electricity, then Hydro should be paying for a lot more of it, as opposed to the public paying for it so Hydro can sell more.

It's simple. It's about if you're going to benefit from an investment, then you should be accountable for that investment. It's not reasonable to think everybody else is going to pay for

you to be able to make more money. Now, I appreciate it all comes back to the taxpayer, so that gets a little bit fuzzy at the edges. But that was the sort of principle.

CHAIR - But it can be disproportionate where the impact lies.

Mr MOSTOGL - That's right. That's where we were really arguing that. I guess the government came out and said, 'Well, we're just going to provide an offset now, we're going to use the profits from Hydro and we'll pay for this'. And you go, 'Well, gee, I hope they make a profit every year because I'm not sure that's going to happen'.

CHAIR - They haven't last year.

Mr MOSTOGL - So, where the money comes from is part two of that issue. Part one is really what the mechanism is. That's really what we're talking about there, just understanding that not everybody in Tasmania needs that and, therefore, the investment needs to be able to justify itself on its revenue that it earns, not what other people pay for. That's really the point.

CHAIR - The problem with the transmission is that it earns its revenue from a regulator base, and so we go back to that cycle. This then leads us back, perhaps, to the importance of reviewing the renewable energy zones and where we put things in this state to try and reduce -

Mr MOSTOGL - Yeah, exactly, just to bring that cost down. That's the lever that we've got, because the formula takes over after that. Every dollar spent on a transmission network is recovered by its consumers. Less dollars spent means that we pay a lower price. That's really simple, but that's really the only lever we've got. But as I said, I think there are other benefits for communities, landscape, biodiversity, et cetera, by having less disturbances.

Mr BAYLEY - I completely agree with you, but just to play devil's advocate, our new wind farm on Robbins Island, for example, it has to build its own transmission line to the point where it can connect with the network.

Mr MOSTOGL - And it's not doing it for free, Vica.

Mr BAYLEY - Tell us about that, then, because that's my question. The assumption is that it is.

Mr MOSTOGL - Well, it can't be.

CHAIR - It's not just part of the RAB.

Mr MOSTOGL - It's got to be a cost recovered. If it didn't need an 80-kilometre-long transmission line and it needed a 10-kilometre-long transmission line, that would be best overall for the state.

Mr BAYLEY - It would, but if the private investor is paying for it?

Mr MOSTOGL - But they're still going to get their money back. It's going to be in the charges somewhere. They're not doing it for nothing. The whole principle is, it doesn't matter who pays for it, the more you've got, the more you pay, whether it's directly from TasNetworks or it's coming through the generator by saying, 'We've now got to recover costs for our wind

farm and this 80 kilometres of transmission line', it's still going to be paid for by consumers. Shorter transmission lines is still the only thing that we can really drive and influence.

Mr BAYLEY - I agree. That's one of the problems that we identify with Robbins Island. It's incredibly remote from the network. It's got its own several-hundred-kilometre transmission line, and then TasNetworks has an upgrade and a substation from Hampshire to Burnie -

Mr MOSTOGL - Yeah, that's right.

Mr BAYLEY - that'll cost the consumer.

Mr MOSTOGL - Yes.

Ms FINLAY - In terms of market expectations, community expectations and company commitments to reducing emissions in and of their own projects and accords, the benefit of electrification in that and the need for generation to be able to have enough for members to electrify outside receiving energy for the production things, where's the sort of highlights? We're aware of the Grange project, which is variously progressing. Where are the highlights in Tasmania, I suppose, around projects electrifying and helping with reduced emissions and what sort of scale power that they need?

Mr MOSTOGL - There's work going on, as you articulated, with Savage River mine. If they can swap conveyors for trucks, then there's a reduction in diesel emissions. I was aware that Liberty had some plans, it was still 10, 15 years away, but there was a step change in some of the technology that they thought would be viable in there. That saw some of the reduction.

Our analysis amongst our member companies shows that we would almost need 100 per cent of Tasmania's current energy again to be able to fully decarbonise some of these industries. The research is moving along quite fast, but still some things are in laboratory, so they're probably 20 years away from being commercially viable. But the aluminium industry and the cement industry are big emitters and certainly looking to address that through technology changes. There's trials underway in other parts of the world to try and reduce that. Taking fossil fuels out and using alternative products, whether it's biomethane or different lower-emission fuels is still very much part of it.

Despite the backwards step the world seems to be taking in terms of the desire to decarbonise, I'm not sensing any change in momentum here in Tasmania from these companies. They still see it as good business and the right thing to do. I'm not seeing any backing off of efforts towards finding ways to reduce the fossil fuel in their industries or the carbon production that they make.

CHAIR - We're just about out of time. Is there any closing comments you'd like to make, Ray, or anything you wished we'd asked and we haven't that you'd like to tell us about anyway?

Mr MOSTOGL - No, no. I think the fact that we've had the discussion about, ultimately, that heavy industry energy policy and it's not for old, it's for new as well, it's a forward-looking view that the state needs to get on the front foot with. I think that's the - if that's one outcome from this, it would be over the moon and I think that'd be a really positive step for Tasmania, across the nation, but also globally, because I think we're sitting on a gold mine in our assets.

Our Hydro assets, our wind resources that we have are quite unique and it sort of feels like we're fumbling our way to not utilising them anywhere near as much as we could.

CHAIR - Thanks so much for your time, Ray.

Mr MOSTOGL - Good luck.

The witness withdrew.

The Committee suspended from 1.59 p.m. to 2.14 p.m.

Bell Bay Advanced Manufacturing Zone (BBAMZ)

CHAIR - Thank you, Luke, for appearing before the Energy Matters Committee public hearing into matters related to energy and major industry, particularly. This Committee's been ongoing for quite some time, looking at a variety of things about energy pricing, about the Whole-of-State Business Case, and we've now sort of moved to focusing more on the impact of some of the energy costs on major businesses and AI investment in the state, potentially. So, we're sort of focusing around those matters, particularly, not the more broad matters of this hearing.

We do thank you for the submission you've provided, and we thank you for appearing today. This is a public hearing. Everything you say is covered by parliamentary privilege. That may not extend beyond the Committee hearing - that's if you're speaking to people outside. It is being transcribed and broadcast and will form part of our evidence for our report at a later time. If there were matters of a confidential nature you wish to share with the Committee, you can make that request, and the Committee would then consider that. Otherwise, it is all public. Do you have any questions before we commence?

Mr MOORE - No.

CHAIR - I will invite you to take the statutory declaration on that little card there in front of you and then introduce yourself and speak further to your submission if you'd like to make some opening comments, and then we'll go to questions.

Mr LUKE MOORE, CHIEF OPERATIONS OFFICER, BELL BAY ADVANCED MANUFACTURING ZONE, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

Mr MOORE - I'm Chief Operations Officer for BBAMZ, the Bell Bay Advanced Manufacturing Zone. We're an industry peak body for the Bell Bay industrial zone and extending into the Tamar Valley. So, we represent our members who broadly form the industrial ecosystem over the Bell Bay industrial precinct and into George Town and Launceston and across to the West Tamar as well.

CHAIR - So, who are your main members? Are they industry or are there other entities as well?

Mr MOORE - Predominantly industry. So was formerly Liberty Bell Bay. Bell Bay Aluminium is a member of ours and then several of the large like Timberlink and other, moving down the scale to Kempe, and all the way down to Hicksy's Hardware in the main street of George Town there. So quite a wide variety of businesses that got some sort of commercial interest in Bell Bay or extending through the Tamar Valley.

CHAIR - So you obviously have some connection with TasPorts as well?

Mr MOORE - Yes, TasPorts is a member.

CHAIR - So are they a member?

Mr MOORE - They are.

CHAIR - They are a member. So, did you want to speak more broadly to the point you've raised in your submission?

Mr MOORE - Broadly, there's several points made there. I think there was 13, but broadly it can be boiled down to, concisely, that Tasmanian electricity and Tasmanian energy, we should maximise the value of that in Tasmania. The value of an electron produced by Hydro Tasmania is multiplied if we use it to elaborately transform goods in Tasmania. It's much more valuable to our wider economy if it's used and utilised here than it is if it's utilised in Victoria or New South Wales. There is still value, obviously, to exporting our renewable energy and we should and can, when Marinus is on board, make use of that to maximise value. But the most value we can extract from every drop of rainfall that goes into Hydro's reservoirs is maximised by using it elaborately, transforming it in Tasmania.

Using it to manufacture aluminium, we used to use it to manufacture manganese. There's 550, 560 jobs in Bell Bay Aluminium - they all have families. There's young people there, apprentices, young engineers. People that have worked there for 40 or 50 years. Their families are in the community. About half that workforce resides in Launceston, half in George Town and across the West Tamar.

So, the actual economic impact directly for those jobs is spread out across the whole north-east of Tasmania there. But, further to that, there's 1200 or so jobs in the wider supply chain. So, losing an entity like Bell Bay Aluminium would have an impact of about 2000 jobs almost immediately if it was to close down.

BBAMZ, part of our organisation is the NEB Hub (the Northern Employment and Business Hub), and we've been working closely with the redundant Liberty workforce. We're working with a client base of about 40 of the ex-Liberty employees. My last talk with the NEB Hub team we found permanent work for 27 of those, so that's been an extraordinary amount of work -

Mr BAYLEY - Locally? Back within Bell Bay?

Mr MOORE - Most of them are locally, but some of them are stretching out into the wider sort of Launceston area, so that's 27 workers that aren't leaving our state. Quite a few of them we are aware of that we're not working with directly, a lot of them have their own networks and things like that, so some of them are going to FIFO, some expressed that they will be leaving the state, so it is a direct loss to our economy when we lose those skilled workers.

CHAIR - On that then, we're talking about the energy being used on-island, and Hydro - and Basslink has been in place for some time now. It's only just recently been regulated, which has changed its operating approach and from evidence we've received from Hydro and particularly in light of Marinus proceeding, they're taking a different approach in looking at providing firming energy and selling into high price periods in Victoria. Do you think they have the balance right or do you think that it's being skewed toward making money as opposed to supporting downstream processing in Tasmania?

Mr MOORE - I think if the federal and the state governments hadn't provided support for Bell Bay Aluminium, we'd be having a very different discussion at this moment and that would revolve heavily around criticising the power contract for Bell Bay Aluminium and between them and Hydro - that's a commercial matter that I'm not privy to. Hydro was initially set up to provide for powerful industry in Tasmania and I think that definitely the onus should be on that entity as a Government Business Enterprise that's still owned by the taxpayers of Tasmania to support that industry and provide room for new industry as well. It's not just about legacy industry; it's about new industry as well. We need to diversify our economy. I don't think anyone would dispute that.

Ms OGILVIE - We agree with that.

Mr MOORE - It is a balancing act. There is opportunity to make some good profits, and they need to be driven by an economic imperative, but part of their mission statement is to support Tasmanian industry and they should follow that and adhere to it. In the first case, there are various calculations out there and we're hoping to see an actual economic report done on the impact of Bell Bay Aluminium and where it sits in the Tasmanian economy.

CHAIR - Who's doing that work?

Mr MOORE - The NTDC I think has an economist looking at that.

CHAIR - When we look at Hydro's projections of profitability once Marinus is built, they're talking about $470 million of additional returns to government from that, which equates to a huge profit, like far more than that number. That's a few years out, but if that's the case, do you think, looking at what they're projecting, then going back to that question of balance, I know you're not privy to the negotiations with Rio, but obviously it was pretty tense and there was a bit of an unlocking of positions and that sort of thing, so how do you think that should be done?

Mr MOORE - That's part of our submission. There needs to be an actual Tasmanian industrial strategy as a clear statement of intent of what do we want as a state? What do we want to see? Do we want to have an industrial backbone in our economy or do we want to just let that go? Because ultimately that's the question.

Ms OGILVIE - May I ask just to clarify, when you say an industrial strategy, are you specifically thinking about in relation to how we utilise the energy capability to enhance that, or more broadly?

Mr MOORE - A bit of both, really. I think we do need to look at power as industry. The availability of power - and we see that on the mainland too, higher power prices and we're losing industry and manufacturing on the mainland as well. In an international context, we need effective and cheap, reliable power to support industry and we need to view that payer availability as our industry policy. They've been intertwined for the last 70 years. We need a clearer statement of intent.

Ms OGILVIE - I agree. The reason I ask is that I have a great interest in the tech sector and the data centre strategy as well. I would see that as part of that conversation. Is that your mind as well, as new industries are coming on board? I guess we don't normally refer to them as industrial, but they would fit in that large user capacity. What's your thinking?

Mr MOORE - It's apparent that we have a capacity constraint, that we don't have enough power to - well, it appears from the outside that we don't have enough power -

CHAIR - At the price that Hydro -

Mr MOORE - that industry is asking for. We need to diversify our economy as much as we can, but we need to find that balance where we retain our heavy industry because it is jobs intense and -

Ms OGILVIE - Existing jobs are great.

Mr MOORE - They are. A bird in the hand and two in the bush scenario.

Ms OGILVIE - All of that.

Mr MOORE - An existing job, an existing family and existing kids in our local schools are more valuable to my mind than are proposed ones. But we need to be looking for those proposed ones as well. The whole hydrogen hub in Bell Bay was built around the concept of bringing new industries and green fuels and things into Bell Bay and Tasmania and providing those new jobs of a future, and specifically on AI data centres then. They do provide jobs but not as many as traditional industry, but they are potentially high-tech jobs, and we should be leveraging that to the university sector and trade and things like that.

Ms OGILVIE - I agree with you. The way I see it is there's a vertical integration of the minerals industries and the work that you do with export of physical and then tech sector is - because I come from a telecommunications background, we call it an ecosystem, where you actually have to get the university linked in and TAFE and create the jobs digital check. Then there's a whole lot that sits around that. I guess what I'm struggling with, and I think you've just sort of said it beautifully around diversifying the economy, that both of those sectors need to be in a more direct conversation about the balance of that diversification.

Mr MOORE - Yes, they're not - I guess natural conversation appears between heavy industry and tech -

Ms OGILVIE - We're talking different languages.

Mr MOORE - Different languages, yes, but both are necessary. We need to position Tasmania as a bit of a high-tech future destination. We've got a hidden ICT sector in Launceston as well. I was at an NBN -

Ms OGILVIE - They're highly regarded, actually.

Mr MOORE - The actual connection density in Launceston matches Singapore, so you know, there's opportunities there that should be exploited, but that shouldn't be at the expense of seeing our traditional industrial base leaving the state because -

Ms OGILVIE - No, of course.

Mr MOORE - That base there, like Bell Bay Aluminium, and we're seeing a bit of a loss with Liberty, that provides a skilled base to grow other industries like potentially things like PolarBlue and things coming in.

Ms OGILVIE - Absolutely. Those engineering skills.

Mr MOORE - Absolutely. The heavy fitting, heavy welding, heavy machinery, heavy engineering, engineering design, it all feeds into quite a linked ecosystem. If you lose an anchor tenant like Bell Bay Aluminium, then that basically starts to collapse.

CHAIR - Just going back to the development of the strategy, we've made a number of recommendations about aspects of a strategy perhaps as well as an overarching strategy, are you aware of any work being done by government in that space currently or is it completely a blank slate we're starting with?

Mr MOORE - I'm not aware of any particular work in that space. BBAMZ advocated heavily for the Bell Bay Aluminium power deal to be done and for the government support to be put in place. We worked heavily in the background for Liberty Bell Bay and we were very disappointed to see that fall over, so we took the decision to make a more public stance and that involved quite a lot of trying to educate our various members of parliament on all sides of the spectrum to what was actually involved with Bell Bay Aluminium, with the downstream aluminium granule production feeding all the way into Nyrstar in Hobart, that that whole ecosystem chain would collapse and the supply chain leading into it would also collapse. There's lots of economic impact there, including third order or such. There's some companies in Bell Bay that do a lot of work with Bell Bay Aluminium on their boilers and furnaces. If Bell Bay Aluminium fell over, then that company would cease trading in Bell Bay, and that would then lead to Timberlink having to import workers to service their boilers for their shutdowns. So, the links are direct feeding in and feeding out and it's on the side.

CHAIR - So, you're talking about two different bodies of work, as I hear? Your strategy is how do we make decisions around these questions, but the other body of work - and Ray Mostogl was here earlier today and he was talking about this before you arrived - about the need to, for the industry as well, but he suggested someone in Treasury perhaps to actually put an economic value on each megawatt of energy, and for that to happen you'd need to know all the flow-on effects.

So, am I right in understanding you are talking about two different bodies of work: one's a strategy about how we make decisions around this; the other is understanding what the impact it has and the bigger picture, not just looking at whether we should strike a deal with you or not?

Mr MOORE - Yes. Well, one feeds into the other. You need the information to actually have an informed strategy. So, I think I agree with Ray that that work needs to be done and it needs to - at the moment, it's very difficult to point to an actual monetary value of what Bell Bay Aluminium does inject into the economy.

CHAIR - Do you believe that Bell Bay Aluminium would have that information themselves, though?

Mr MOORE - They do; they've released some publicly. I've sort of calculated about a $6 billion impact into the economy over 10 years. The government mentioned at the press conference the other day, I think, $4 or $5 billion over the five years.

CHAIR - But don't the public need to see the workings of how you got there to give them confidence that's not just some number that some government media person has plucked out of the air and popped in a media statement?

Mr MOORE - Bell Bay Aluminium has released some of those figures. They haven't released the entire power deal or some of those -

CHAIR - No, no, they don't need to that.

Mr MOORE - But they have released some of those figures, and that's what we base the $40 million of capital investment they do every year and the $260 million they pay their suppliers every year. That's what we get and we basically just added that up.

CHAIR - And the employment - the contingent employment.

Mr MOORE - Yeah. Bell Bay Aluminium know what they pay out, but it takes an economist and proper Treasury analysis to understand what the multiplier effect of that is.

CHAIR - So, do you agree then that Treasury should do the analysis? If the businesses can provide their data, how much they pay out and in terms of paying supplies, et cetera, that should be pulled together by Treasury?

Mr MOORE - That would be the best place to do it and if that falls short, then it's just external economists that can work on it. But Treasury actually has full access to all the data and can actually make a -

CHAIR - Including how much they get from you - or not from you directly, but yeah.

Mr MOORE - Not from me, but yes.

CHAIR - But from the major industries.

Mr MOORE - Yeah.

Ms FINLAY - Thanks for the submission; it's really thorough and it's got lots of things that have been, I suppose, teased out over recent months with the challenges at Liberty and with Bell Bay Aluminium. I wanted to ask a question about recommendation 9 around the Renewable Energy Investment Fund and also around recommendation 6 - I know it's been front-of-mind for BBAMZ around the hub being created.

But before I do that, I'm not sure that I'm exactly clear on the answer to the questions around the strategies. So earlier, Ray Mostogl from TMEC talked about the need for an energy strategy because it doesn't appear that Tasmania has a coherent energy strategy and an industrial energy strategy. I'm sort of the belief that they don't actually have an industrial strategy either. In terms of in those conversations around energy allocation, what is their commitment to major industrials in Tasmania? I wasn't sure whether the answer to the question

was an energy strategy, an industrial strategy and an industrial-energy strategy. Do you see a need for three - for all three of those?

Mr MOORE - You could do it that way, but to a large extent in Tasmania, energy is industry. Particularly with the large industrials we have, that's one of their core inputs.

Ms FINLAY - That clarifies.

Mr MOORE - It depends on how you look at it, but we feel the way you should look at it is energy is industry and that your energy policy informs your industry policy and they speak to each other and they could well be the same document.

Ms FINLAY - Great, thank you. I just was seeking a clarification on that. So, could you speak to me to recommendation 6 and recommendation 9 around the designation of Bell Bay being a hub, an economic hub, and then also about the energy investment fund.

Mr MOORE - This has been floated around a little bit for a while that potentially Bell Bay could be an investment hub. There are various ways you can describe that, but special investment zone, special economic zone with some relief around payroll taxes or land taxes and things like that.

It's already zoned industrial, but some clearer and sort of one-stop planning availability within that zone, so that to speed up - because we have had feedback from several proponents that it does take too long for things to get decided in Tasmania. The wind farm on the island, for example, I'm not sure how many years that's dragged on for regardless of whether you are for or against it, the decision has taken far too long to happen. It's a clear statement of intent as well and also involves around making sure that support infrastructure like the Tamar Irrigation Scheme is there and available for new industry. Currently it's legislated, it's available for hydrogen use and agricultural use. Currently the actual water is unsubscribed from an agricultural point of view.

Some of the industries are looking to come in, like Bell Bay Power Fuels, need that water, but they're not at a point of Final Investment Decision (FID), so they can't commit to buying that water allocation so that the project stalled. But there's currently about $70 million of federal funding that's stalled at the moment. It's not being utilised and we're at a fairly big risk of that money just being reabsorbed back into the federal sphere without it being utilised or building anything. That's a big concern to BBAMZ. That money is just sitting there. It's allocated under a specific grant from the federal government. But with federal government buy-in, it should be able to be reallocated to supporting industry infrastructure.

Ms FINLAY - Agreed. What about the advancement in order to support the major industrials in the precinct and therefore the energy used to value add in Tasmania and that greater economic benefit - how far advanced the work is around the redevelopment at TasPorts for the landing for new renewable projects decommissioning program?

Mr MOORE - They're at an early design stage. They need, I think, I'm plucking this number from memory, about $10 million to progress to the next stage, that would provide landing for offshore wind farms and onshore wind farms which is needed. The Victorian offshore auctions are happening at the moment. If they go ahead to a bid stage and actually manufacturing stage, there needs to be at least a three-port solution for that because the

Victorian ports aren't capable of sustaining the entire workload for that. So, that needs an investment from either the state or the federal or combined investment for that TasPorts project to proceed. There are some quite detailed mock-ups, but there's a lot of still design work to proceed for that at this stage.

That could also be potentially used for decommissioning of oil rigs in the Bass Strait, which would be a great outcome as well.

Ms FINLAY - Thank you.

Mr HISCUTT - Thanks, Ruth. Just a follow up on recommendation 6 and thank you for presenting. With the establishment of the Bell Bay Hub, and obviously recognising that's the area you're representing, do you think there's potential for other special areas throughout Tasmania? Has your organisation given any thought into whether that a recommendation should be to investigate other areas where something like this could happen, or have you solely got a focus that this should be the main place in Tasmania?

Mr MOORE - There's always scope for other areas to adopt this, but the advantage that Bell Bay has is it's not constrained by urban encroachment as such. Burnie and Devonport are all heavily constrained by urban development. Hobart's obviously focused on Antarctic and tourism cruise ships and things like that. So, there's very limited ability in Hobart to expand industrially. And Bell Bay is a deep-water port. The port's actually only utilised at about 30 per cent at the moment. It is underutilised and there is land available. Bell Bay Aluminium controls a lot of that land at the moment, but they're open to reutilising it.

CHAIR - Some Members of the Committee did a site tour up there at the beginning of the Inquiry. We did walk around quite a large area there.

Mr MOORE - The Liberty Bell Bay site is available obviously for redevelopment, though there is a heavy contamination cost burden with that as well. We did look at it. Obviously, we have a bit of a pecuniary interest in Bell Bay being the site chosen, but we do think strategically in the Tasmanian context, it is the best site for such a zone to be established.

Mr HISCUTT - Thank you.

Mr BAYLEY - Apart from the branding and sort of consolidating it as a hub and calling it an economic zone, does it give you access to any other stuff at the federal level, funding programs, are these formal terms, are these a thing at the federal level that gives you some advantages that's recognised or is it sort of a bit of marketing that gives you a platform from which you can collectively bargain and advocate?

Mr MOORE - A bit of marketing, and following on from that would require a prospectus so that it's a very clear economic opportunity that we can present to people that are interested. It does give us the opportunity to go to the federal government and say that the Tasmanian government has established this and if it is chosen to be established, there should be talks with the federal government in the first instance, not just done and then taken to the federal. There is opportunity there for that $70 million for the hydrogen hub to be reallocated. I think is a significant consideration there. If it can still be used for hydrogen, I think that should be the primary use of that money. But from a Tasmanian point of view, it would be quite a

disappointing outcome just to let that money be reabsorbed and not used to develop the industrial park there at Bell Bay.

Mr BAYLEY - Have you given up on hydrogen sort of full stop? Has that concept passed?

Ms OGILVIE - A leading question.

Mr MOORE - I certainly haven't. It's more and more difficult, but international considerations such as the Strait of Hormuz have brought the actual attractiveness of producing our own methanol or our own ammonia right to the forefront. I think it's a ridiculous situation that the nation of Australia can't produce its own urea. The primary ingredient to that is ammonia. From a strategic point of view, we should be producing ammonia in Australia and there's no reason we couldn't do that in Bell Bay. Methanol is a replacement fuel. We desperately need to move away from imported fuels. We are strategically vulnerable as long as we rely on external supply chains for our fuel. Interest has increased, certainly from the federal sphere with some of the hydrogen proponents there and also PolarBlue, although they intend to produce offshore, that is green methanol that they intend to produce, green ammonia and green hydrogen, not directly on site, but they intend to produce the components to manufacture that offshore.

CHAIR - There would still be a link to their onshore activities, clearly, for that.

Mr MOORE - Absolutely.

CHAIR - Apologies if you asked this, Janie, but I was just responding to the secretary. In recommendation 9, you talk about establishing an industrial renewable energy investment fund. How would that be different from the Capacity Investment Scheme that the feds already have?

Mr MOORE - Not terribly different. In fact, one of the sentences there, 'The remaining federal funding could be directed to this with Commonwealth support'. It's, I guess, a variation on a theme. In lieu of using that hydrogen fund, then we could establish a new one.

CHAIR - The Capacity Investment Scheme funding? Yes.

Mr MOORE -Yes. There is, I believe, a fund established for maritime sustainment hub and investigation into that, so that could tie into that as well. It's an opportunity to focus on those industrial developments and do development further. There's a list of several opportunities there.

CHAIR - With that, it doesn't make sense to me to operate in silos in this area. We have the Capacity Investment Scheme, we have some other energy investment scheme, and then some other thing else that might be related but not the same. When you look at the suggestion you've made under recommendation over the number of dot points about how it could be used to support development there or investments, doesn't this all fly back to the need for a plan?

Mr MOORE - It does.

CHAIR - What needs to be done first then?

Mr MOORE - I think we need to understand what economic activity industry like Bell Bay does that needs to be progressed. It can be done in parallel with looking at how we could best utilise the available funding, which is $70 million just sitting in the bank there for hydrogen development, and developing a plan or a consolidated fund that looks at a broader picture, rather than just hydrogen, looks at the whole industrial precinct and tie that into having a special economic zone. I guess the recommendations look like, in isolations, but it would be ideal to bring them all together into basically a single package.

CHAIR - Have you floated this idea at all with the federal government or with the Tasmanian government?

Mr MOORE - The special economic zone has been floated. There's some references made to that in the future economic plan for northern Tasmania. Some of these ideas have been developing. Susie was at the government's - I forget what it was titled -

Ms FINLAY - The Northern Economic -

Mr MOORE - Northern Economic Plan. They've been developing, I guess, slowly. This was an opportunity to bring a lot of those ideas together when we were invited to submit to the committee.

CHAIR - And has that happened? Or are we still just having all these meetings and nothing comes out of it?

Mr MOORE - No, this is thus developing. Where we go from now, we've had to deal with two crises. One was Liberty falling over, and the other one was the potential for Bell Bay Aluminium to fall over. We've moved through that now. Consolidating these ideas into the submission to the committee is part of the work that we're doing. We'll then also be looking at submitting to the state government our ideas around the special economic zone. We're currently developing a paper on that at the moment.

CHAIR - What engagement do you need to have in that with the federal government, if any?

Mr MOORE - We'll be talking with the local member and with Tim Ayres, the industry minister. We're still at the moment very much developing our papers. No ideas on that at this stage.

The hydrogen hub is a set sort of grant that's there. We're aware that funding will be running out in the next sort of two years or so. The funding window will be running out in the next two years or so.

CHAIR - If you don't spend it, you lose it. That's how it works?

Mr MOORE - Yes. And also, with the changes of the machinery of government, there's been a bit of external confusion as to where ReCFIT now sits into all that.

CHAIR - Do you know where it sits?

Ms FINLAY - Do you have any clarification on that?

Mr MOORE - Not really. That was the entity, I guess, we were dealing with, and the head of the hydrogen hub is being reallocated. It's a bit opaque at the moment where we actually sit with all that.

CHAIR - Have you had any engagement with the office of the Coordinator-General in this as well?

Mr MOORE - Not so much around the hydrogen hub, but I met with them a week or two ago around the maritime sustainment program and also a potential maritime excellence hub. There's also potential around that and also some talk around potentially having some shipping services into Bell Bay, but not specifically around the hydrogen hub. There was more a maritime focus when I had that meeting.

CHAIR - Do you think that there needs to be - whether it's the office of the Coordinator-General or ReCFIT - whatever called and wherever located - should be pulling all this information together in a more strategic way? Whose job do you see this as? Because it does cover quite a bit including port upgrades, which is not your responsibility, it's TasPorts', which is a state-owned company. Who should be leading this work?

Mr MOORE - It seems to be as with the Liberty Bell Bay response; it tends to fall to BBAMZ to provide a little bit of leadership and direction.

CHAIR - Do you need to have all the answers?

Mr MOORE - We'd like to have all the answers. We don't have all the answers by a long way, but I think the ACG has a, I guess, a statewide view. BBAMZ has a more focused view on Bell Bay. TasPorts also has a statewide view, and they want to maximise their asset at Bell Bay. But BBAMZ is very keen, part of our mission statement is to grow the industry in the area.

Ms OGILVIE - I think there's a lot to be said for the special economic zoning plans and I think one of the great things about Tasmania is the different regions have these specialisations, which I think is fabulous, and noted your comments about the south being constrained, which it absolutely is, and I suppose that's part of the reason we're pushing for the digital tech sector stuff, because that is unconstrained. And I'm really interested in understanding, particularly in your area and your industry, what engagement, if any, the tech sector's having in to support your economic development zones and things. Because we did hear from Ray before around some good engagement and productivity increase and engineers, et cetera. Is there dialogue happening already or are there sort of two separate there?

Mr MOORE - There is dialogue. Firmus was potentially a little bit slow in engaging with the community, but -

Ms OGILVIE - They've pulled their socks up.

Mr MOORE - Yes, they have.

Mr BAYLEY - What about with you?

Mr MOORE - They are a member of BBAMZ. They've reached out to us, and they've been very constructive and open with us. For the record, BBAMZ does support their development at Bell Bay and they're working very hard, where we had a meeting with Kee [Li], their new Community Engagement Lead. They were very keen on developing their community footprint and building that up and having a much higher visibility in the community and supporting community activities.

Ms OGILVIE - That's good to hear.

Mr BAYLEY - What does the recent withdrawal of the float for Firmus, how do you deal with that as a member organisation, member representative organisation looking after Bell Bay?

Mr MOORE - Firmus were in touch with us on the day that that happened and we've sent a message out to our members about it. It was basically that their board decided that it wasn't in Firmus's interest to proceed with the float, but as far as Firmus is concerned, their projects are proceeding as efficiently as the planning allows in Tasmania and they want to continue doing that in Tasmania and more broadly through their projects in the mainland and overseas. It wasn't a very long message, but it was basically business as usual.

Mr BAYLEY - Business as usual despite the setback.

Mr MOORE - Yes.

Ms FINLAY - What assurances have been given by them in terms of their cash position? I'm not necessarily asking about Long Reach because there's planning implications there, but at St Leonards there are definitely people that are based in the Bell Bay zone that have been hit previously, say at Liberty, that have turned their focus and are doing some work on site at Firmus in St Leonards. What assurances are you aware of people being paid for contracts for work being done in that space?

Mr MOORE - I'm not aware of any concerns in that regard. They're still backed by several international multibillion-dollar entities. BBAMZ is not aware of any concerns on that front.

Ms FINLAY - It's good to know.

Mr BAYLEY - Can I ask about Bell Bay Aluminium? You mentioned the two crises that you had to get over. One was not resolved, obviously, Liberty Bell Bay, and Bell Bay Aluminium, has a five-year...

CHAIR - It is resolved, but perhaps not the way you wanted.

Mr BAYLEY - Well that's right, true.

Mr MOORE - Prefer the 10-year one.

Mr BAYLEY - Well, that's my question, is in terms of the five-year contract, what do you understand is the reason for it being a five-year contract as opposed to a 10-year? You

would imagine many of the parties would have preferred a long-term contract, but it wasn't to be. What do you or can you tell us about why it's five years?

Mr MOORE - BBAMZ wasn't privy to the commercial arrangements. My understanding was that it wasn't so much the federal and state government support that limited the five years. It was the negotiations between BBA and Hydro, but other than that I'd just be speculating because I wasn't privy to the negotiations.

Mr BAYLEY - You can see us in a similar situation in a few years' time in terms of conflict?

Mr MOORE - There is a commitment to looking at it and renegotiating or re-examining it in three years' time, which is good. We were very disappointed that it took up until 1 October into a one-year extension before this was resolved. It should have been resolved a year ago.

But it's encouraging that they'll be committed to looking at this again in three years' time. We were very keen on a 10-year deal because that gives a lot longer level of surety, and it gave BBA a much better window into their return on investment for some of the capital investment they wanted to do, some of those take about a seven-to-eight year ROI. It is my understanding they're still going ahead with those capital investments.

Mr BAYLEY - Have they scaled them?

Mr MOORE - I haven't asked that specific question, but they were very keen to invest in some new equipment and things like that, and they've got robotic lines and things now that they have established. So, they've been continuously investing over the last 10 years into new equipment. Some of that was stalled because of the negotiations. I'm assuming and hoping that that will then restart and then we can carry on.

Mr BAYLEY - Do you think it'll be constrained because it's a five-year contract? It won't be as extensive as it perhaps would have been?

Mr MOORE - I don't know the answer to that question, I'd be speculating.

Ms FINLAY - Have BBAMZ made any representation to Hydro on your reflection of the process in terms of negotiating the power deal? Have you made any expressions to Hydro?

Mr MOORE - We had a meeting with the CEO and their team a month or two ago and we had a pretty frank discussion there and we did express our position that industry is more valuable to the wider economy of Tasmania than just the pure focus of one GBE; for an example, if Bell Bay Aluminium goes and TasPorts loses a large slice of their income because of the volume of cargo going through.

Ms OGILVIE - The interconnectedness.

Mr MOORE - And TasNetworks loses a large customer. But it was very clear in that meeting that Hydro was focused on Hydro issues and issues outside of Hydro were not Hydro's concern.

Ms OGILVIE - So, it's the broader ecosystem.

Mr MOORE - Yeah.

Ms FINLAY - Did you have similar meetings with the minister for energy or minister for industry in terms of expressing those concerns for greater value consideration to energy rather than just price?

Mr MOORE - We didn't have a formal sit-down meeting but we expressed that pretty much every time we met them. We meet the minister for energy regularly just through going to events together or when the Minister's in town for some of the Hydrogen Hub stuff. So, we talk regularly with the minister, both ministers, minister Ellis, minister Duigan. We expressed that very clearly whenever we had the opportunity.

Mr BAYLEY - Can I ask, the very last recommendation in your submission - Tasmanian electricity should power Tasmanian industry, Tasmanian economic growth, and Tasmanian jobs. Given there's some experts that are saying you can't have data centres and Marinus, you know, like this is very Tasmania-centric, which I think is welcome. Does it point to any concerns around Marinus, the increased transmission charges, what it may do with electricity contracts and commitments and how it influences the major players here, be they the generators or others?

Mr MOORE - I think there is a level of concern, but that's, I guess, the reason we have a government, and why we want an energy policy and why we want an energy strategy is we need that to be laid out clearly so that there is an understandable, I guess, reference point as to what we actually want as a state and as a people.

What do we want for our state? Do we want to have that industry backbone running through our economy, or do we want to let it go and from BBAMZ's point of view the heavy industry is an essential part of our state economy, and you can't really talk about diversification if you're letting your backbone go and letting that skills base go because of that. Bell Bay Aluminium has many apprentices go through every year and they don't employ every single one of those apprentices at the end of their four-year apprenticeship; they go on into wider industry. Several of the leading managers in the area have all done their time at Bell Bay Aluminium and learnt world-class management techniques and world-class engineering techniques and world-class safety. So, that training and base of industrial growth is invaluable to our whole economy.

Ms OGILVIE - Just on that, if that's all right. I like the way you talk about diversification - and I think we're all very supportive of the industrial sector. Diversification to me means 'and also' not 'instead of', so the comments you're making are not replacing the industrial sector but leaving space to grow the economy and diversify, which I think is the smart way to go.

But it also seems to me that it's sort of at an inflexion point with Marinus coming online and the AI age upon us and data centres, that it's really bringing things into sharp focus. Do you think now is the time to reset or establish a strategy where we have got perhaps the new sectors around the table as well? And you say Firmus is part of your organisation; I think that's perfect. Do you have any thoughts about that or how we might go about that?

Mr MOORE - Well, I guess the strategy is the point. We need to understand how much impact - the potential impact of the new industries and the existing impact of the existing industries and get a clearer economic understanding to the broad economy of what those impacts are. Then we need to have a clear strategy and a clear, I guess, pathway: what do we want as a state and how do we want to implement that? Because we will need new energy and we need some other new renewable energy proposals to get up, basically, because Hydro is facing potentially declining rainfall.

So, Hydro needs to, in my view, invest also in new generation capacity instead of just relying on what's built, and they're going through a fairly intense capital program at the moment of renewing their turbines and things like that. But they own a lot of land; they could be producing new renewable electricity. I'm not talking about necessarily new hydro because that's probably a political bridge I won't cross -

Ms OGILVIE - Bridge too far.

Mr MOORE - Yep. But they've got extensive facilities in the highlands. There could be new wind farms and solar farms up there.

Ms OGILVIE - Thank you. Insightful.

CHAIR - I mean, it seems to me that conversations we've had with Hydro, that's not what they're thinking. Have you had a conversation with Hydro about investing in new renewable that's wind or solar or whatever?

Mr MOORE - We haven't.

CHAIR - I mean, they are on King Island, to be fair, and probably Flinders as well because Hydro does it all over there and Momentum retails over there. But they can't do it here, obviously.

Mr MOORE - I've asked that question in a public forum and Hydro made it very clear that they're not pursuing that at the moment. But part of our submission is that there's no reason for them not to be investing in it. We need new private investment, but also Hydro was well placed to create new generation, or to enter into partnership utilising their land and having new renewable energy co-located on their land next to their industrial transmission. It makes more sense to build it where the existing transmission already is rather than isolate it from -

CHAIR - But it seems like they're not - there's no plan - that they're focusing on other things. Do you believe - I mean, they made that pretty clear, I think. So, should the government intervene here? Because the government can direct them to do certain things.

Mr MOORE - Well, I think they should. We've obviously got at a bit of a capacity constraint. We're waiting on several of the private investment ones to go ahead. There's no reason to my mind that Hydro can't get on the front foot and start building, generating capacity, or talking to their private proponents and working in a partnership with them directly, rather than just facilitating their off-take, as such. The short answer is yes, I think they should.

CHAIR - That's fine. I'm just interested in what your views are on that.

Mr HISCUTT - Slightly similar but slightly moving on, as well. I just wanted to know with recommendation 11, which is: Establish Tasmanian economic benefit requirements for major energy projects and that they should publish measurable targets when the government support has been provided, and annual reporting as to whether these commitments have been achieved.

Do you think the same should apply when government support has been provided to industry in that regard? Like should we have reporting from Bell Bay Aluminium, whether they have achieved the targets that they may be set for how many apprentices are coming through, since they're receiving such government support in the same regard as a new energy project might?

Mr MOORE - Certainly wouldn't be averse to that. Whether that needs to be made public probably needs to be a discussion with Bell Bay Aluminium. They might view that as commercial-in-confidence, but I don't think to my knowledge that there were any conditions along those lines established with the support that's been offered by the federal and state government.

Mr HISCUTT - Maybe, should there have been? I guess is the other question.

Mr MOORE - Potentially it could have made it more transparent for the general public. I guess there's a fine line. Bell Bay Aluminium has, I guess, commercial considerations. They on-sell their aluminium to entities like Kymera and that flows on down the chain. So, some of that information they would view as commercial-in-confidence, but a broad baseline of commitments wouldn't have been a bad idea, as such.

Mr HISCUTT - Thank you.

Ms FINLAY - Just bringing it back to Bell Bay, we asked Mr Mostogl earlier, from TMEC, around the closure of Liberty and being able to reactivate that site. I'm just wondering what work BBAMZ is doing or is aware of in terms of the potential restart.

Mr MOORE - We spoke with the OCG about that. There are several entities, the OCG said, who were interested in working at the site.

Ms FINLAY - In particular for manganese.

Mr MOORE - There is one, in particular, that I'm aware of that is specifically focused on manganese and reprocessing some of the rehabilitation sites there. So, they're one of the more serious entities involved. It was described to me that there was probably a large proportion who are just having a look rather than seriously investigating it.

CHAIR - You need the price to stay up though, too, don't you, in all of that?

Mr MOORE - Yes. One of the entities that's looking at it wants to implement new technologies there. But EY is in charge of all those, I guess, applications. We've sent a few that we're, I guess, not really allowed to talk about, but we've sent some through to EY that some parties are interested that have contacted us.

So, there are parties interested. There's been discussion around maybe splitting the site into two areas, one more of a greenfield site that's not as contaminated, and the heavy industrial sites. So maybe looking at breaking the land up into parcels so it's more usable. But the contamination on site is a major issue for any new parties coming in.

CHAIR - Do you think that's likely to require some sort of government support for it to happen? Unless you're going to reprocess the manganese and not make substantial physical changes to the structures when all the environmental issues kick in, obviously, that's likely to be the case?

Mr MOORE - Probably. There was some discussions around electricity price in the EY statement when it was wrapped up. Knowing the level of remediation required onsite, there potentially will require some government support for any new entity that comes in and I guess that to a large extent will probably determine EY's thinking as to how far or who they can actually deal with, because until government support is committed to, it's a nebulous thing.

Mr BAYLEY - What's the latest assessed cost of remediation?

Mr MOORE - The figures I've been hearing it's about $230 million.

CHAIR - Is there any bond over any of that that you're aware of?

Mr MOORE - Not that I'm aware of. With it going into administration, there's a high potential that the state will be left with that cleanup cost.

CHAIR - That's why you have bonds.

Mr MOORE - Totally.

CHAIR - Well, the miners get the bonds, not so much the manufacturing, I don't think. Is it normal for manufacturing sites to have the bonds?

Mr MOORE - Anything can happen if -

CHAIR - If there is a political will to do it.

Mr MOORE - It is normally around mines. There was an industry levy applied on the oil and gas industry.

CHAIR - The risk of environmental harm, that is, not much for the project itself, is it?

Mr MOORE - There was an individual project offshore Western Australia that's costing the federal government billions of dollars. There has been a levy applied to the oil and gas industry over the whole industry. A bond, if it is applied to a new entity coming in, is a fairly significant discouragement I guess to anyone coming in. It has been an industrial site for 70 years. A lot of these went under consideration when it was actually initially started.

Ms OGILVIE - A lot of history.

Mr BAYLEY - What's your knowledge of it? Is it something that has to happen? Does a remediation have to happen irrespective of the site? Is there latent risk now to the community

more broadly that the site's mothballed and is this something that BBAMZ is lobbying the government to get onto?

Mr MOORE - We're waiting to see what happens with the sale prices. That's in EY's hand at the moment and I know that the state government is dealing closely with EY. At this point we are waiting on the sale price to see if there is a potential buyer that actually comes forward. There were, I think, two parties that were I guess primary bidders but both of those have pulled out to my knowledge.

CHAIR - For the site 'as is, where is'?

Mr MOORE - Yeah.

Ms FINLAY - Is it an open-ended process or is there an end date for that?

Mr MOORE - That's a good question. I'm not aware.

CHAIR - Well, we are out of time. Is there anything you want to close off with that we should have asked you and we didn't, or you want to share with the Committee that you haven't covered?

Mr MOORE - No, I just think broadly there is an opportunity to make sure that Hydro does, I guess, fulfil its original function which is create energy in Tasmania and create jobs and industry for Tasmanians. We need to be looking towards a high-wage economy and high wages are generated in manufacturing and advanced manufacturing and industrial manufacturing.

CHAIR - I might say energy trade is a high-wage job.

Mr MOORE - Yes, but you can energy trade from Melbourne or Sydney.

CHAIR - True. You don't have to be on site.

Mr MOORE - It is not hard. It is just as easy, but it's unlikely to be happening in George Town, for example

CHAIR - It happens in Burnie. Not in Burnie, in Hobart, in their office there on the trading floor.

Mr MOORE - Regional jobs are important and regional economies are important and industry like Bell Bay Aluminium is important to the entire Tasmanian economy.

CHAIR - Thanks very much for your time. We appreciate your submission and the detail you put into that as well as the evidence you provided today, so thank you.

Mr MOORE - Thank you very much. Thank you for the opportunity to speak to you and submit.

The witness withdrew.

The Committee suspended from 3.15 p.m. **to 3.20 p.m.**

TasNetworks

CHAIR - Welcome, Renée, Chantal and Jason on behalf of TasNetworks. We appreciate you appearing before the Energy Matters Committee again. You'll be aware we've sort of narrowed our focus a little bit around the major industrial energy requirements and energy costs associated with them, and also the emergence of data centres and AI infrastructure that's been new since the Committee started its work. So, we're focusing on those areas, not the broader question so much today. There may be some questions that relate slightly more broadly, but we'd be preferring to focus on those matters. We thank you for the submission you provided. That was helpful, and appreciate the time you've taken to do that.

This is a public hearing and everything you say is covered by parliamentary privilege. That may not extend beyond the hearing. If there are matters of a confidential nature you wish to share with the Committee, you could make that request and the Committee would consider that.

Does anyone have any questions before we start? I think you're old hands at this by now. You've got another turn to turn up later in the year as well again. Thanks, Renée, I'll get you to introduce yourselves and take the statutory declaration, which is just there in front of you, and then invite you to make some opening comments and we'll go to questions.

Ms RENÉE ANDERSON, INTERIM CHIEF EXECUTIVE OFFICER, **Ms CHANTAL HOPWOOD**, EXECUTIVE GOVERNANCE, and **Mr JASON KING**, HEAD OF NETWORK OPERATIONS, TASNETWORKS, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR - Just to let you know, there's two Members attending online today as well, Casey Hiscutt and Craig Garland. The rest of us are here. Over to you, Renée.

Ms ANDERSON - Sure. Thank you, Chair. Thank you for the opportunity to appear before the Committee today. We welcome the opportunity to assist the Committee with its consideration of Tasmania's existing and future energy requirements, particularly the needs of our changing major industrials and the emerging sources of electricity demand.

TasNetworks is responsible for the safe, secure and reliable operation, maintenance and development of Tasmania's transmission and distribution networks, serving more than 295,000 customers. We are also, importantly, Tasmania's jurisdictional planning body with the responsibility for planning the transmission system as electricity supply and demand change. We work closely with AEMO and generators to maintain secure operating conditions. We also have, within our statement of expectations, our purpose outlined, which is the transmission and distribution of electricity within Tasmania to support lowest possible prices for Tasmanians and to support safe, efficient and reliable network services, and help grow the Tasmanian economy and attract new investment.

Tasmania's major industrial customers have shaped electricity demand in Tasmania and the use of our network over many decades. Their current and future requirements remain central to our planning. We are seeing considerable interesting connections from new generation, storage and electricity-intensive developments such as data centres or AI factories. Our network works best when there is a balance of load and generation for network stability. Additional transmission demand can benefit existing customers. A greater use of the network

helps spread regulated costs across a larger customer base, while a broader mix of large customers can reduce exposure to changes in demand, particularly around individual industries as they may change over time.

Our role is to assess and facilitate connections in accordance with the National Electricity Rules. We treat applicants fairly and equitably. We assess the technical, commercial network and, importantly, system security requirements of each proposed new connection to our transmission network.

There are also established processes for the assessment of shared network investment and the recovery of regulated costs. Those processes matter and are really important when planning for new developments, particularly those that may take a number of years.

Under the current regulations, assets that serve just one customer are paid for by that customer alone. Assets or shared augmentation is either funded by the proponent or recovered from all users, but only if a regulatory investment test is passed through the Australian Energy Regulator. We know that there are a number of rule changes currently in front of the Australian Energy Market Commission particularly around how network augmentation costs may move more to the connecting party rather than over the shared customer base.

Through our annual planning report and through direct engagement with proponents, we work to help potential customers understand our network capacity and, importantly, network constraints when they're looking at developing projects.

We recognise that there are a lot of questions around the emergence of much large and quick loads, including where the electricity comes from, demand flexibility, environmental matters. We're also aware of the state and national proposals around some of those large emerging loads, and we're contributing, you know, where it's relevant to our responsibilities.

Our focus is on maintaining safe and reliable network services, managing costs carefully and planning for the requirements of Tasmanian customers. Thank you, Chair. we welcome your questions.

CHAIR - Thanks. Some of the things we talked about with a previous witness - and I don't know if you had the chance to watch or not, but there's been some suggestions that, obviously, the cost of transmission is a large and growing part of customer bills. When we look around the country, we see some of the new variable renewables like wind farms being built out in the middle of Woop Woop which require long, significant transmission. As you've said, if they're the only ones requiring that, they'll pay for it. But does there need to be, in your view, a review of the renewable energy zones so we can try and avoid that and, thus, keep the cost down?

Ms ANDERSON - It will, yes, certainly, Chair. I think as I said, we spend a lot of time trying to work with potential proponents around where our network is best suited in terms of a capacity or constraint perspective. And we certainly know, for renewable energy developers, they're best placed through aligning with parts of our network where there is capacity for those kind of developments.

We take a lot of our lead in terms of our transmission or future transmission developments from AEMO's Integrated System Plan. You'd be aware that this year, through that plan, they

called out two potential transmission projects for us to consider which somewhat align with the old REZ framework but are really a bit more specific to where they think renewable generation is more likely within Tasmania. Those two projects are Burnie to Hampshire Hills and Waddamana to Palmerston. So, now it's our job to go away to undertake an investment test on those two options to see which ones actually have the best market benefit for Tasmania, which means that they've got generation more closely linked to them and the shared network costs are better for Tasmanians.

CHAIR - Burnie to Hampshire Hills, as an example, would clearly be shared by many customers, so any investment in that will be shared across the whole customer base?

Ms ANDERSON - Yes. Chantal, did you want to talk about the reach of that project?

Ms HOPWOOD - Yes. In the ISP, it's talked about as a Tasmanian REZ project and, as Renée said, it's looking at both Burnie to Hampshire Hills and Waddamana to Palmerston. Given it's outlined in the ISP, there's an identified need already, so we go straight to looking at potential market benefits associated with both those projects. Either would need to demonstrate a wider market benefit in order to progress, and both are progressing under a RIT-T scenario, so that means shared network costs.

CHAIR - What's the timeframe for both of those?

Ms HOPWOOD - I believe our RIT-T process needs to be completed by mid-2028.

CHAIR - On both of them?

Ms ANDERSON - Yes, we're comparing both projects against each other, so yes.

CHAIR - Okay, so if you're comparing them against each other, does that mean you choose one or that you can choose both?

Ms HOPWOOD - Likely, there'll be one project that will come out with greater market benefits and we'll progress with that project. But given that it is unusual to be comparing two different projects in two different locations, we'll be doing a lot of sensitivity analysis, particularly around likelihood of connection. At the moment, we don't have any committed projects, so we'll need to really assess those sensitivities, and that could evolve between now and the completion of the RIT-T and obviously influence market benefits and likelihood of progression.

Mr BAYLEY - So, you haven't had any connection applications for Hampshire to Burnie?

Ms HOPWOOD - We don't have any committed load.

Mr BAYLEY - No committed. Wasn't that a threshold, though, that you needed to get over before you progressed it? Or did the ISP change all that?

Ms HOPWOOD - Yes, so the ISP modelling -

Mr BAYLEY - This overrides all your commitments you've made previously?

Ms HOPWOOD - has outlined it as part of the optimal development path and has said that it's not based on applications, so inquiries or likelihood projects, they haven't progressed to an application phase at this stage. But, yes, AEMO has assessed that, and they've also assessed the costs associated with both projects and see that there's benefit in us doing a wider market benefit assessment associated with both. We will progress that.

Mr BAYLEY - Do you take into account last year's budget - or this year's budget, sorry, had a $50 million - didn't have a commitment, but it sort of forecast a potential commitment to that Burnie-to-Hampshire line. Do you deal that into your assessments?

Ms HOPWOOD - This will progress as a shared investment assessment. It will look at recovery associated with the prescribed service, rather than potentially an unregulated progression, which I believe that commitment was related to.

Mr BAYLEY - Why was that commitment made in that context, then?

Ms HOPWOOD - Because for us to progress under a regulated assessment, we obviously need to go through a writ process and make sure that we're not expending funds, doing market assessments before it's time, so our customer base doesn't pay for us to do analysis prior. At that time, when that commitment was made, it wasn't part of the optimal development path, and we couldn't be progressing a regulated pathway. That's obviously changed now.

Mr BAYLEY - Now with the ISP?

Ms HOPWOOD - Yes, correct.

CHAIR - Where a private new generation or new load requires new transmission infrastructure, so they are required to pay for that - once it hooks in - A to B is the bit that they require before they hook into B, and then from B,C,D,E,F,G and everywhere else around the state, once it's connected, does it all become one of the whole regulated asset base? So, they're only paying for the construction, not the networking charges once it's integrated into the system? Do you understand what I'm saying, or am I not being clear enough on that?

Mr KING - Yeah. So, they pay all costs to get to the connection point, if you like.

CHAIR - In the construction of it?

Mr KING - Correct. And then that could trigger an augmentation, which means we might have to upgrade the shared network to get the power to them. Now, there are options there. We only do that if it's the least cost option to customers. What that means is it could be cheaper to constrain part of that line, so they might not get full output at certain times because it's very variable. Or we look at if it's economic to potentially upgrade the circuit, and then they will pay their portion of the transmission connection charges as the ongoing charge.

Ms HOPWOOD - Yeah, they'll pay a portion of the shared network irrespective of augmentation requirement or not - and I think that's what you're saying, if there's augmentation required to the backbone of the transmission network.

CHAIR - I understand that. It's the bit that they've built, the new bit that joins into the bit that may or may not need augmentation. When A to B, that bit that they build to connect, is that then included for the purpose of the AER's determination of prices in the regulated asset base?

Ms HOPWOOD - No.

CHAIR - So, they keep paying a network charge for that or do they just operate - how does it work?

Ms ANDERSON - We have connection agreements with each of those directly connected-into customers whether they own that specific transmission part of that network or not. That would be covered in the agreements that we have with those customers.

Ms HOPWOOD - Yes, a lot of customers actually build and maintain that connection component, so therefore pay for it.

Mr BAYLEY - And retain ownership.

CHAIR - How do you check that it's not going to upset your system?

Ms ANDERSON - We do a lot of extensive systems studies, technical assessments, a very extensive process to check that out.

CHAIR - Over time, if they didn't maintain it and potentially upgrade it, they could have a detrimental - once it's connected, it's connected.

Mr KING - Correct.

CHAIR - Yes. Unless you're going to trip them off and say, 'Well, sorry'.

Mr KING - And there's been examples like in South Australia. We make sure that when a customer comes - and Tasmania is a smaller network, so it's a little bit more delicate than some of the mainland networks, so it's very important that, technically, when a customer connects it, their load behaves in a way that they say it would and it behaves in a way that doesn't impact other customers. We go through rigorous technical testing with them, and it's also with AEMO as well. And it's very regulated under what's called Chapter 5 of the National Electricity Rules. We basically plug in their models to our equipment, and we put it through its paces of all the types of things that can happen to make sure that when it is operating, because a lot of that is the theory, and then we also monitor as its operating.

For a lot of our customers, over time, as the network evolves, the way that a generator or load may operate because of the other changes, the network may change as well. We work with those customers to make sure that they're not going to have that impact, especially from a system security point of view. And if it becomes an issue, what we mean by network security is if it's going to put the network at risk, so if a load is going to ramp up too fast or too slow, which data centres are a unique type of load like that, are very different to other industrial load, that generally when it's on, it's on; it's a very stable load. For a lot of those loads that are a very large amount, they actually have to bid into the market at certain intervals, and AEMO make sure that those intervals and ramp rates don't impact the power system. It is quite technical, but

we watch it very closely because our network can't stand any load or generation that's going to operate outside of technical limits.

CHAIR - Because we all know what happened in South Australia when they have their big storms and lightning and stuff. They had another storm just the other day.

Mr KING - Correct.

CHAIR - Is it your job to make sure that the corridors are kept clear of vegetation? You don't want a tree falling across it either.

Mr KING - Correct.

CHAIR - So that TasNetworks' job to do that? Or how do you make sure that these are -

Ms ANDERSON - On a private line?

CHAIR - Yeah.

Ms HOPWOOD - No, on the private line, they're responsible.

Mr KING - Correct.

Ms HOPWOOD - They retain ownership then, yes, it's their responsibility for vegetation management. We don't do private vegetation management.

Ms FINLAY - You just mentioned some loads can turn on and off very quickly, immediately, but the new loads that we've come to hear more about, they can be slower coming on and off. Can you outline the modelling, what the reality is with that experience of what you're expecting that you're preparing for and how that gets managed?

Mr KING - Yes, and if I go off track, please put me back on. One example, we've got our traditional major industrial loads at the moment, the large pot lines, et cetera. They can come up and those pot lines can come on and off. It's very much a controlled environment. Where they also support the power system in being very flexible, we've got our system protection schemes, they're called. So, under the frequency operating standard, it basically means that the Tasmanian network can't withstand a variability of around 144 megawatts. These schemes basically came in when Basslink connected, because Basslink can go up to roughly 500 to 600 megawatts, which is way over the 144 limit that the power system can handle. And our system protection schemes very quickly, within milliseconds, will drop on a disturbance, will either drop load or drop generation to bring that back to a safe margin. Existing customers - and it's another revenue pathway for them, can provide those services and do at the moment.

The new types of load, which are inverter-based resources, are not like a lot of the traditional industrial loads. They're full of semiconductors, so they can ramp up or ramp down at a very fast rate, potentially, which can be a challenge for a network because of what I just described, or it can be a real benefit for the network. Working with those customers, if they wish to do that and can provide those services, they can be a real benefit to the power system and being able to respond very quickly to system events. Or we need to make sure that their

equipment doesn't cause an adverse effect by not responding in the right way when we do have a system event. Which goes back to some of the precedents set by South Australia.

CHAIR - How is that reflected in their agreement?

Mr KING - It's in the connection agreement and in the technical standards, and it's also signed off by AEMO. They're actually in charge of the technical system security. Once we plan and build and connect something, we make sure, as a network, that we manage the risks. But AEMO oversee the whole of the National Electricity Market because these loads can also affect Victoria. They monitor what we're doing as well, and if they see there's any risk on our power system, they've got rules and powers to intervene to try and reduce that risk or eliminate it, disconnect it, whatever needs to be done to protect other customers in the power system.

Mr BAYLEY - In terms of transmission, the major industrials and the direct connected customers, we've had TMEC and Bell Bay Advanced Manufacturing in here today and we had some discussion about Liberty Bell Bay. Obviously, Liberty Bell Bay is down at the moment. There's hopes there, but they're down. I assume they're not paying for their transmission costs. What has happened in relation to their share of the transmission costs? We've heard that the major industrials are really important in terms of keeping the shared costs that we all pay for the transmission network down. They're not paying it. What has happened in response to that?

Ms ANDERSON - As you point out, any load either increased or decreased has a material impact on transmission prices. In terms of the Liberty Bell Bay impact, we, as a business for this financial year, have made the decision not to pass on that revenue loss to other customers.

Mr BAYLEY - So, no other customer has had an impact as a result of that? You absorbed it all?

Ms ANDERSON - Not as a result of that drop in load.

Ms FINLAY - Not direct-connected customers or retail customers?

Ms ANDERSON - No. Sort of in March every year we have to consider what our transmission pricing is for the following financial year. That sort of consideration will need to happen each year. But certainly for this financial year, we've made the decision that no customers had any of that cost.

Mr BAYLEY - How much will that cost TasNetworks, like, what's that worth to you, do you have to absorb?

Ms ANDERSON - Not something that we can share given it is part of the sort of connection agreement that we had with Liberty Bell Bay.

Ms FINLAY - Liberty, obviously, came to a close recently, but furnaces were down for a really long time. Was there a transmission redistribution in the previous financial year? There's been no reallocation of Liberty transmission costs?

Ms ANDERSON - No, we worked with them. As you said, their furnaces have been down for quite a long time, so we did work with them through a process which is available to all customers through the connection agreement to tailor their contract maximum demand,

which is essentially what their charge is based on, and to review that based on their operations. We have been doing that and working with them for quite a long time. But at this point in time, their costs, as Renée said, we're considering what to do with revenue as part of our next transmission cycle.

Ms FINLAY - There's a three-year retail services agreement through Aurora with Firmus for the St Leonards site, and subject to that being successfully and coming on board, and they are operating through those three years, there'll be transmission elements to that. In the event, given the narrative this week around the IPO, given the event that they don't commission and, therefore, they don't take that power, what will happen with the reallocation of what you would have imagined receiving in transmission cost? What will happen with the reallocation of the revenue from that? Has there been any modelling or preparation for that?

Ms ANDERSON - Firmus is currently at the St Leonards site, and noting that they have two additional stages of construction happening on that site, will continue to be a direct connect transmission customer, which means that we recover our revenue directly through that customer, rather than through sort of an Aurora agreement, unlike a sort of retailing customer.

At this stage we've obviously forecast the recovery of equivalent of 104 megawatts associated with load and that will happen towards the end of the year. If that does happen, assuming it does because we're in commercial negotiations with them all the time, that will be an increase to our forecast revenue recovery. So, what we've forecast this year, that'll be over and above, and that will obviously go into how we determine prices for the subsequent year.

Ms FINLAY - If it doesn't, then your forecast?

Ms ANDERSON - Will be in line with as forecast. That's over and above.

Mr BAYLEY - You've done work already on the network in terms of connecting them to that and some of that works are already underway?

Ms ANDERSON - Yes, it is currently underway.

Mr BAYLEY - What about for some of the other developments, like for George Town, for example? Have you started doing any work in that regard?

Ms ANDERSON - We haven't actually started construction for either of the other two sites. We have -

Mr BAYLEY - Expended in terms of planning and?

Ms ANDERSON - We haven't, actually. The customer has reimbursed us for recovery of long lead-time items, but no cost to TasNetworks as such. All customer-paid-for.

Ms FINLAY - That specifics, customer invoices presented for recovery or funds paid?

Ms ANDERSON - Paid up.

Mr BAYLEY - Another issue in this space is in relation to Marinus and the expected increase of transmission costs across the board, but particularly major industrials. We were

having the conversation this morning with TMEC again. The government has made a commitment that no major industrial direct-connect customer will be worse off as a result of Marinus. We're unsure as to how that is going to be implemented. Have conversations started between government and TasNetworks about how that is implemented and how that's delivered?

Ms ANDERSON - Yes, sure. I'll pass to Chantal, but we've certainly been working closely with them on the specific existing major industrials and what the Project Marinus impacts might be for them and what, I guess, a shielding mechanism, for use of a better term, might look like, so that none of those existing major industrials bear the increased cost of Project Marinus. I don't know, Chantal, if you had any more detail about the actual mechanism itself?

Ms HOPWOOD - Yes, for network charges specifically, and it's in place for this current financial year. So, all our major industrial customers have received notification around the fact that they won't be paying any additional associated with Project Marinus, but more specifically for this financial year, cost recovery associated with the first stages of the North West Transmission Development. So, essentially -

CHAIR - Which is really just the early works at the moment, isn't it?

Ms HOPWOOD - Early works at this point of view.

Mr BAYLEY - But they won't be paying any of that?

Ms HOPWOOD - Yeah, their costs are essentially as if that project for the revenue recovery was not in place.

Mr BAYLEY - So, who will be paying for it?

Ms HOPWOOD - There's a range of different measures associated with shielding the network costs associated with that. So, there's a significant federal government grant and then there's -

Mr BAYLEY - That's the $346 million?

Ms HOPWOOD - Yeah, and then there's also -

Ms ANDERSON - There's also the CEFC concessional financing.

Ms HOPWOOD - concessional finance arrangements associated with that as well.

CHAIR - That just reduces the impact. It doesn't pay for it, as I understand it.

Ms HOPWOOD - Yes, so there still is network charges; there's network component charges associated with that project.

Mr BAYLEY - Right. So, what's the proposition there? What major -

CHAIR - Will TasNetworks be out of money?

Mr BAYLEY - Well, major industrials won't have to pay for it, yeah? Does TasNetworks absorb it, or do the rest of the balance of the customer base absorb it? Or will the Tasmanian government fund it? What's the proposition?

Ms HOPWOOD - There's the mechanisms that we spoke about. So, there's the grant which, obviously, reduces revenue recovery and the concessional finance, and then the remainder of the revenue associated we'll be recovering from the rest of the customer base.

Ms FINLAY - And what percentage will remain?

Ms HOPWOOD - I'd have to take that one on notice. I don't know off the top of my head.

Ms FINLAY - Are you happy to take that one on notice?

Ms ANDERSON - Yeah, we'll take that on notice.

Ms FINLAY - Are you happy to take on notice the question of costs to be shielded, what percentage will be covered by allocation from the $346 million, what will be concessional finance and what will be applied to the remainder; to break it down into?

Ms HOPWOOD - We'll see what we can pull together.

Ms FINLAY - Great.

CHAIR - To be clear, the $346 million, is it expected that will more than cover the early works for this financial year?

Ms HOPWOOD - The grant funding?

CHAIR - Yeah, the grant. To go against the RAB.

Ms HOPWOOD - How it's actually going to be applied in terms of timing of the grant, my understanding is the grant isn't this financial year, so it's more linked to construction milestones. So, in that respect, no, for this particular financial year.

CHAIR - So then, is TasNetworks going to have to take a financial haircut here because if that $346 million is not available until construction proper starts, not the early works, then how are the early works being funded, going back to the question that was just being asked. You talked about the grant, but that's not it because that's not now.

Ms HOPWOOD - No, there is concessional finance arrangements, and there's also a state budget allocation for the MI shielding, is my understanding as well.

CHAIR - How much is that?

Ms ANDERSON - I think we'll have to take that on notice.

CHAIR - On notice? Yeah. I'm just interested - you can say that the rest of us aren't going to pay that much for this, for the early works part -

Ms FINLAY - They didn't say that. They didn't say 'not that much'.

CHAIR - Well, yeah, who knows? But obviously the customers do pay. I'm just trying to understand who is funding the early works? And if TasNetworks have to fund it all, then surely that will become part of the cost?

Ms FINLAY - They're not saying that either.

Ms HOPWOOD - We'll get the state budget allocation for the shielding. I would say the early works in the first year, proportionally to overall revenue, is rather small.

CHAIR - Right. If you can give us that figure as to what percentage of the early works funding is being provided sort of externally, if you like, rather than being recouped from customers.

Ms FINLAY - Could I ask a question about the $346 million due to arrive as the construction milestones come through? Have you been given any clear direction on how it can be used, what it can and can't be used for, how it's being applied and to what? So, over the regulated base, I think was the answer we were given previously. But how, because this is -

CHAIR - The mechanism and how it'll be treated by the regulator?

Ms FINLAY - Yeah. Is there any clarity on that?

Ms ANDERSON - Yeah. So, I think - Chantal will probably give more detail but, essentially, the amount will come off the full regulated asset base that is used every year, or every revenue forecast, to then determine our pricing.

Mr BAYLEY - For just the North West Transmission, or for the whole base?

Ms ANDERSON - For the whole regulated asset base.

Ms FINLAY - Yeah, that's what I think you said last time.

Ms HOPWOOD - Yeah, the North West Transmission costs will roll into our transmission regulated asset base and, from a simplistic - we're still working through the detail with the regulator, to be fair, but when we do get any form of grant, customer contribution for a particular project or the like, it nets off what's rolled into the RAB at that point in time. And that aligns the contribution to the cost and, therefore, the depreciation profiles means that the recovery over time is reduced in that sense. So, that's the way it's applied. It's not usual to get a grant of this size to be applied to the transmission asset base, so we are in discussions with the regulator.

CHAIR - That's why we're interested and want to know what's going to happen.

Ms FINLAY - Do you have a profile at this stage about the time it'll be applied across? Is there a defined period that construction is described as, or a defined period that the $346 million can be used over?

Ms HOPWOOD - My understanding is - we're still obviously in discussions around the timing, but it's linked to construction milestones, so it will be applied over the -

Ms ANDERSON - Similar to the CEFC funding. There are very clear through construction, energisation, practical completion, mechanical completion of the project, so as we meet those, that's when it triggers.

Ms FINLAY - So, it could be over five or more years?

Ms ANDERSON - Over the next few years, yeah.

CHAIR - Let's say it's five or more years roughly. I'm not sure what the pricing period is, but let's say, in the next pricing period, if that money has all been expended to help construct the project - this is a question we asked at a previous hearing, I think, as well, which I'm now a bit confused about. The suggestion was, as I recall it, was that it would flow through and be there forever in the AER's determination in the next five-year period and then the next five-year period. Is that what we're working on at the moment, and do you understand how that's going to happen, since it wants the money spent?

Ms FINLAY - What does 'forever' mean?

CHAIR - Well, that's what I mean. But that's what they said.

Ms HOPWOOD - It's a reduction in the cost that flows into the RAB, so yes, it lasts forever because the cost amount in the RAB will be registered at a lower amount than the total spend.

CHAIR - So, the asset base is not revalued in the next five-year period? It's worth $10 billion right now, the network. After this is built, then in the next period, the regulator says, well, it's now worth $10.5 billion. How do they then apportion their transmission costs associated with that new more valuable asset base?

Ms FINLAY - I'm going to ask an embarrassing question, I'm not quite understanding this. Is it more like a depreciation book allocation to the - book value reduction to the value of the regulated asset base? Or is it a cash transfer of funds to TasNetworks? I didn't know that before.

Ms HOPWOOD - Yes, it's a reduction in the cost value that rolls into the regulated asset base which means the asset base overall is reduced compared to what was, and it permanently - -

Ms FINLAY - By that amount sort of permanently? Now I understand 'forever'.

Ms ANDERSON -. So, all the pricing then that comes off that lower asset base.

Ms FINLAY - Interesting. It's not an amount of money that gets utilised, for instance, making this shielding contribution by having a reduced asset base. It's making a contribution to that because there's a lower amount being spread across everybody.

CHAIR - You still have value over time, obviously, if you keep investing in the asset?

Ms FINLAY - Because the asset base will go up, so it will erode in that way.

CHAIR - It's important for people to understand that it's not going to stay the same value forever.

Ms HOPWOOD - No, the value of the asset base reduces by depreciation every year and it does increase by CPI every year as well. So yes, it does unders and overs. And then whatever we invest in a particular year gets added to it as well.

Ms FINLAY - Does the $346 million get reshaped year on year in any way?

Ms HOPWOOD - As in CPI at all?

Ms FINLAY - Yes.

Ms HOPWOOD - No, because it's essentially a reduction to what's flowing into the asset base, so once that is in the asset base against the different associated asset classes - so, it doesn't just go off one asset class; it goes off all of them to enable -

Ms FINLAY - Yes, so it's a step change at the beginning of that amount -

Ms HOPWOOD - Correct.

Ms FINLAY - that's then within that model the whole way through.

Mr BAYLEY - Notwithstanding the concessional finance and that grant, North West Transmission Developments and Project Marinus still present a material risk to TasNetworks. Would you agree? That's a finding. There's still a financial risk there?

Ms ANDERSON - In terms of?

Mr BAYLEY - The sustainability of the entity, the amount of debt you're taking on, servicing that debt. I guess my question is, what conversations have you had with TASCORP, and what do they say in relation to this project and the funding of this project?

Ms ANDERSON - All of the negotiations and agreement with the CEFC have had TASCORP involvement, so they've been a critical party. Obviously up until CEFC, TASCORP were the only people that we are allowed to borrow through. So, this was a process by which TASCORP, Treasury, CEFC, everyone's been very involved right from the start, so fully understand in terms of what the debt profile is, what the concessional finance is and our ability to service that, I guess, between the CEFC and TASCORP.

Mr BAYLEY - Is it still those two bodies that you can borrow from, CEFC and TASCORP? Have you got any other capacity, any ministerial approval to borrow from anyone else for it?

Ms ANDERSON - No.

Ms HOPWOOD - I was just going to say we don't feel the need to seek any other. We're comfortable with the financial situation, and so are those two lenders.

Ms FINLAY - Have you had any early considerations for extraordinary equity injections above normal asks in terms of support?

Ms ANDERSON - Not for the North West Transmission Development?

Mr BAYLEY - I've got a different topic. It's in relation to emerging demand and new load and the connection. Previously we've discussed in this Committee some ongoing work that TasNetworks has done in relation to the stadium project and Macquarie Point precinct. I think since we spoke, the previously planned approach that had been landed on and a privately operated district energy infrastructure scheme has been scrapped, which, therefore, means that there's additional work for TasNetworks. How's that work going? Has that been completed? And have you now got a firm and really clear supply option report for the Macquarie Point Development Corporation?

Ms ANDERSON - Yes. We have been working with them, as you said, quite closely now in terms of the connection and electricity supply. We've given them a revised connection capability report, which essentially gives two supply options for them, so that they'll be considering those.

Mr BAYLEY - What are they?

Ms ANDERSON - There's a couple of different scenarios. Overall, there's two different ways that we're looking at the energy supply for the stadium and the precinct. One is the temporary supply that they need whilst construction is underway and then, obviously, the permanent ongoing supply once everything's up and running. In terms of our infrastructure, the existing footprint that we're talking to Macquarie Point about in terms of the stadium and the immediate precinct, it can be fully sourced from our existing infrastructure. We don't have to build, for example, any new substations. There will be some new feeders that we need to put into the stadium from our North Hobart sub and there'll be some other smaller substations, but they'll be actually on the Macquarie Point site. They are funding, or will fund all of that. It's an extension to our distribution network. It's not a transmission network connection, it's a distribution network connection.

CHAIR - That's just for the construction?

Ms ANDERSON - Mhm.

Mr BAYLEY - What's the cost of that?

Ms ANDERSON - Costs are still conversations that we're having with Macquarie Point. They are, I guess, no different to some of our other direct customers, a specific customer that

we're having those commercial discussions with at the moment. But there's certainly no - from the current options that we're talking, there's no augmentation required for the shared network, therefore no shared cost. It would be fully funded by -

Mr BAYLEY - But that's just for the stadium?

CHAIR - Just the building of it, isn't it?

Ms ANDERSON - And there's a small surrounding precinct around the stadium.

Mr BAYLEY - So, just for the avoidance of doubt, that wouldn't be a regulatory investment test? That would be a customer would pay 100 per cent for that?

Ms ANDERSON - Yes.

Mr BAYLEY - Previously we've got those reports through RTI. Is that report something you'd be prepared to table or provide to the Committee?

Ms ANDERSON - Yes, we'll ask that question just to make sure there's nothing commercially in there that we're not allowed to, but certainly can get back to you on that.

Mr BAYLEY - The previous connection report identified energisation by November 2028, and that their maximum load would be 9.74 megavolt-amperes. Is that still what we're talking? Timelines as well?

Ms ANDERSON - Yeah, I think it's about 6 megawatt in sort of our easier language, if you're comparing to other projects. I'll have to confirm that timing. I'm not aware that there's been any change to those timing agreements in terms of energisation, but we'll just need to confirm that.

Mr BAYLEY - Just to be clear, this is not to provide power to the wharf or to the Antarctic precinct, or to any commercial or other shop?

Ms ANDERSON - No.

Mr BAYLEY - It's pretty much just the stadium and the lights around it?

Ms ANDERSON - It's the stadium, and I think there's like a very small sort of precinct around the stadium that may entail perhaps a couple of small retail - but it's not sort of the full stadium footprint.

Mr BAYLEY - Right, thank you. Do you know the location of the connection streets? I know there were two options. There was one up through the Domain and there was one down Campbell Street, I believe.

Ms ANDERSON - I can find out. I'm not sure if you know that, Jase?

Mr KING - Not offhand.

Ms ANDERSON - We can come back to you.

Mr BAYLEY - Can you take that on notice, along with the provision of the report full stop?

Ms ANDERSON - Yes.

Mr BAYLEY - Thank you.

Ms FINLAY - Can I go back to the major industrial shielding question?

Mr BAYLEY - Before you go there, when was the report completed? We were told in parliament that it was going to be done by August.

Ms ANDERSON - Good question. I'm checking on the timing, so I can check on the report completion timing as well.

Ms HOPWOOD - It's only recently, but we can check on the specifics.

Ms FINLAY - With the shielding, at the time the announcement was made there were four major industrials. Is it specifically just the four major industrials. or is it the large direct-connector customers?

Ms HOPWOOD - It's transmission customers, which is more than the four. Anyone connected to the transmission.

Ms FINLAY - Those direct-connected? Is that what you call them - direct connected?

Ms HOPWOOD - Yes, direct-connected transmission customers, correct.

Ms FINLAY - So, there's 12 or something of them, is that right?

Ms HOPWOOD - Yes.

Ms FINLAY - Thank you. I thought so.

Ms ANDERSON - And limited only to those who were direct-connected at the time.

Ms HOPWOOD - With the exclusion of Hydro, sorry, because Hydro was a customer.

Ms FINLAY - Of course/ That's good. Thank you. In committees like this, we are able to generate the thinking for questions of things that we're aware of. We're aware of Firmus's new load coming into the system and we're aware of Liberty going down. Recently in parliament, there was information about six more large AI infrastructure projects around. In terms of them being in various stages of progress, are you in other active conversations with new large loads in Tasmania around their direct connection needs?

Ms ANDERSON - We do have a fairly healthy future new connections pipeline. I say 'pipeline' because some of these projects are in varying stages of pre-inquiry or some that are a little bit more progressed. I think it's probably safe to say the majority of those are, other than the Firmus projects, which are included in that, the majority of the bigger ones are more

generation projects. There are some small - for example, I think there's a battery energy storage system project that's in there as well that we're considering.

Chantal, you might have more detail. I don't think we have a significant number of those potential data centre inquiries at the moment. I know some even that we've had in the past have actually been more on the large distribution customer side, as opposed to transmission connection side as well.

Ms HOPWOOD - Yeah. So, in addition to the three Firmus applications, there is a few other load proponents that we are in active discussions with. But as Renée said, the majority of our pipeline, which is quite extensive, about 32 being active in that space on the transmission networks -

CHAIR - How many megawatts are we talking about?

Ms ANDERSON - For the whole pipeline of new load?

Mr BAYLEY - This is load or this is generation as well?

Ms ANDERSON - It is 9.4 gigawatts for both.

CHAIR - How much is load and how much is generation?

Ms HOPWOOD - For generation it's 9.4. the whole pipeline is 11, just to the gigawatts in that respect. And sorry, the total number of projects, I said 32; it's actually 34.

CHAIR - That includes both the load and - ?

Ms HOPWOOD - That's total.

CHAIR - Do you have a split of how much is load and how much is generation?

Ms FINLAY - In the numbers?

Ms HOPWOOD - Yes, I will grab that for you in a second. But just going back to the other load projects themselves, there is other data centre inquiries in that space. There's also some projects that we've been in discussions with for quite a long time around hydrogen aspects as well. So, that's in there. Yeah, they would be the main ones, so data centres.

There's also increased load associated with some of our existing customers which is in the public domain. Boyer is obviously looking at making investment in that space as well, so that would be in there, too.

CHAIR - Can you tell us what the breakdown is by megawatts on load and generation? You gave us the global figure, didn't you?

Ms ANDERSON - Sorry, I think we've got the breakdown there.

Ms HOPWOOD - Yeah, so, 9.6 for generation, 11 in total.

CHAIR - Sorry, you did give us that. My mistake.

Ms FINLAY - Is there a threshold for the size of the load that means it's a direct-connected transmission customer versus a direct, like, a distribution? What's the threshold for that?

Ms HOPWOOD - There's not actually a strict threshold embedded within the rules, as such, associated with megawatts. It's more around the location of the particular project, the type of project, the system study requirements, that kind of thing. Obviously, larger projects that we're talking about here, for a range of different reasons - access to market, the capacity, utilisation, tend to look towards connecting to the transmission network. And then, on the flip side, there's obviously projects that are so large that distribution is completely not an option in that respect.

Ms FINLAY - And what would trip that out, what would be the ceiling for that?

Mr KING - Sorry, for the -

Ms FINLAY - For connecting into distribution. What would flip someone from distribution to transmission?

Mr KING - If they're right next to a distribution substation, because I think St Leonards is one of those that is going in a couple of distribution feeders, direct to transmission. It's in the vicinity, I'd say roughly under - a bit like the stadium, once you get around the 10 MW mark, the challenge for distribution sometimes, if you weigh out on the end of the network, there's not a lot of capacity at all. The other technical part of it is if you're a very large load, which is why transmission is what it is, if it's a longer distance away and very high demand, you actually need more. It's more efficient to go transmission. And some of it from theirs is around those efficiencies around, 'Well, what's it going to cost us for that type of connection with the cabling', versus distribution that you'd need a lot larger cables, especially over longer distances. And if they're further away from our zone substations, which is where they can sort of take the power directly, then that's more efficient. It can be higher than if they're further away. It really depends on those different costs, I suppose, especially from a customer perspective, normally.

CHAIR - You mentioned at the outset, I think in your opening comments, about the potential rule changes that the AEMC's looking at now in relation to new customers being required to spend more. Can you tell us what's actually being proposed and when that decision will be made?

Ms ANDERSON - It's, I think, part of the Commonwealth's cost recovery for network augmentations proposals. I think the intent of what's being proposed for AEMC to consider from a rule change is, should more costs move under a direct connecting party, rather than at the moment, if there is any shared augmentation on the network, as Chantal has said, some of that is then paid for by the proponent, but then other is shared across the full customer base. The rule change that's currently being considered is whether there should be a move in how much actually is recovered from that one proponent rather than being shared. I don't know what the timing -

CHAIR - What's the current situation? How much do they pay for the augmentation now? Is there a percentage or -

Ms ANDERSON - It's dependent on the project and, I guess, in terms of what comes out through a RIT-T process. It would still have to go through a RIT-T process if there was that level of shared customer cost.

CHAIR - So, you may not end up with like a 10 per cent or something like that; it's on a case-by-case basis? Is that what the rule change is looking at?

Ms HOPWOOD - Currently, if augmentation is required on the shared network associated with a connecting party, we go through that process of doing a market benefits assessment and seeing if the wider market benefits; and then progress with the augmentation and that's recovered from the connecting customers. So, essentially, our existing customer base plus the new additions. This rule change is looking at whether there should be more of a contribution from the connecting party directly to the shared augmentation process.

CHAIR - Are they looking at how much that should be, or is it just whether they should or shouldn't, at this stage?

Ms HOPWOOD - Well, they'll be looking at the rules associated with contributing to shared augmentation in part of the process. That rule change is out for consultation at the moment, so it will go through the AEMC process in terms of timing.

CHAIR - So, the timeline for the finalisation of that decision? I mean, how long is a piece of string, perhaps. I don't know.

Ms HOPWOOD - Yes.

Mr BAYLEY - Can I ask for an update on the North West Transmission Developments and the landholder engagement? How many are outstanding, whether you've initiated compulsory acquisition and provisions, et cetera? Just an update.

Ms ANDERSON - As you may be aware out of, I think, the 260-ish landowners, we had four that we didn't come to voluntary access arrangements with. Once we had our notice to proceed issued, which is on the back of our permit approval, we both initiated the compensation process for those landowners and we also initiated the compulsory acquisition process in terms of the easement acquisition. So, I guess that's the status of that specific process.

Mr BAYLEY - That’s still ongoing, is it, the four compulsory processes?

Ms ANDERSON - I guess the process in terms of the compulsory acquisition is completed, from a process perspective. Now it's really about when we need to access those properties, that sort of arrangement that we have with those landowners. Plus, they also have a level of compensation under the *Land Acquisition Act* as well, which they will be able to access.

From a broader landowner engagement perspective, whilst Genus is obviously our principal contractor and they've got an engagement function, we in TasNetworks continue to have a strong landowner engagement team as well, and we continue to engage with landowners as we're starting to actually now go onto properties.

Mr BAYLEY - So basically, it's effectively all resolved now in terms of land access?

Ms ANDERSON - Acquisition and access, yes.

Mr BAYLEY - Acquisition and access, and there's nothing outstanding. Do you need to do anything more in that space in relation to any of the direct-connect customers? Wesley Vale. I'm thinking of, in particular.

Ms ANDERSON - No.

Ms OGILVIE - This might be a bit of a '101', so please excuse me. We're obviously thinking a lot about data centres and new customers coming into the market, and you have a process and a system for assessing those and contracting with them. From what I heard you say, there are 32 different sorts of businesses that are in negotiation and discussion with you. Of those, I think you mentioned maybe six were data centres - or three?

Mr HOPWOOD - I think there's more than three, but not quite six.

Ms OGILVIE - Undoubtedly in various stages of discussions, I appreciate very much from a commercial perspective. There's a lot of dialogue around data centres at the moment and I feel that the public has grabbed onto that as a really sort of totemic issue. But actually, it's all about all the new customers and how we manage those. Is there anything in particular that you do to assess how you're going to price or whether you take on particular customers, particularly data centres? Or is there something you think we ought to be doing that is bespoke to those? I might be in the minority here, but I feel that all customers, essentially, should be treated the same and fairly.

CHAIR - They're required to, I think.

Ms OGILVIE - Yes. I just -

CHAIR - We can't have any favourites.

Ms OGILVIE - No, no favourites or non-favourites. But I just wonder if there is something, because it is a new sector, even though I believe the OCG and others have been working on it for over a decade. I just wanted to open that thinking to see what you thought.

Ms ANDERSON - Yes, sure. Certainly, as the Chair has said, we are agnostic in terms of project, so we don't apply, I guess, any lens from a positional perspective over particular projects. We do have to make sure that any potential proponent meets the requirements under the National Electricity Rules and -

Ms OGILVIE - Can pay the bills?

Ms ANDERSON - Can pay the bills. And, as Jason said, there's varying technical studies and assessments we have to do. But assuming all of those boxes are ticked, it's our job to then connect that customer, and kind of irrespective of where they are in the list. You know, if we saw one customer who was quite progressed but then another customer was down the track that may have a higher revenue, we don't make that decision; it's about where they're ready in the process.

I will say, though, in terms of the new load that we're talking about - and obviously, it is, at the moment, the rhetoric and commentary specific around data centres. But for us, we just see load. Jason can talk a bit more about the network-specific technical impacts. But certainly, from a lot of the modelling that we're doing at the moment, particularly for our future pricing revenue proposals, we know that more load is downward pressure on prices, so transmission charges will go down the more load we have on our network, irrespective of where that load is coming from. It just happens to be at the moment that our bigger load proponents are data centres or AI factories.

Ms OGILVIE - Interesting. Thank you.

CHAIR - When you undertake your independent technical due diligence of each connection application against the requirements of the rules, just looking at Firmus in particular, we know they had a second attempt to float and failed for a range of reasons. How do you assess their capacity?

Ms ANDERSON - Well, certainly, we've been in conversation with them, particularly over the last week, given what's been in the media. Our conversations are that there isn't any reason from a commercial perspective, that particularly their St Leonard's project is locked and loaded and -

Mr BAYLEY - And they pay up-front?

Ms ANDERSON - And they paid up-front. So, from our perspective, there isn't any, I guess, active question we've got about their Tasmanian projects.

CHAIR - Projects?

Ms ANDERSON - Well, the three sites.

CHAIR - You were only talking about St Leonards initially.

Ms ANDERSON - Well, they've got the three sites, I guess, under Project Southgate, which is Bell Bay, Wesley Vale and St Leonards.

Ms HOPWOOD - But from a commercial perspective, our approach for connecting load customers is the same. We protect our interests in terms of payment up-front and then, for ongoing network charges, we look at security arrangements and those kinds of aspects, which would be the same.

CHAIR - Have you had further discussions with them since the failed float?

Ms HOPWOOD - Not from a commercial perspective.

Ms ANDERSON - More just from a courtesy in terms of communication from them as to their commitment to Tasmania and the status of those projects still remain as per our dealings with them to date.

CHAIR - If things were to change, what would be the process then? If things went pear-shaped? There's been a bit of reputational harm done here, there's been big investors pull out.

You can say all you like when you're based in Singapore, but when you read the *AFR*, it's not a pretty picture. If things go poorly for them, then what? I mean, they've paid up-front for this bit.

Ms OGILVIE - You stop giving them electricity and they stop paying.

CHAIR - But if we're building infrastructure to support them -

Ms ANDERSON - We haven't started construction of any specific infrastructure.

CHAIR - Is there any augmentation that's required for any of the three sites?

Ms ANDERSON - No.

Ms HOPWOOD - Not for any shared augmentation as required for this. So, connection asset components, as we've spoken about before, would be paid for by the customer up-front, so, in terms of risk to TasNetworks from a commercial perspective, we've made sure there isn't any.

Ms OGILVIE - Well done.

Ms ANDERSON - And we do**,** as part of all of our proponents, particularly as we're getting to the more progressed end of the connection process with them, the modelling and the commercial team do undertake regular financial due diligence and checks on both the project and the parent companies. Obviously, this has been something that's been a change, live issue that we are dealing with Firmus on.

Ms FINLAY - Can I ask, if nothing happens -

CHAIR - We're out of time, Janie, so make it a quick question.

Ms FINLAY - If there's no change in generation in Tasmania, what capacity do you have for new load?

Ms HOPWOOD - Our capacity is based on network capacity, rather than generation capacity, which I suspect is what you're asking for, which is probably more a question to talk to Hydro about.

Ms FINLAY - But in terms of your network capacity, in terms of the life and the wellness of the network, is there a limit to the new load you can bring on?

Ms HOPWOOD - At this stage, there's certainly capacity across the network, which we publish every year in our annual planning report to help investors target places on the network which is best suited for investment.

Ms FINLAY - More robust for that?

Ms HOPWOOD - Yes, we certainly outline that.

CHAIR - I think we have a couple of questions on notice which we'll follow up with you. We'll confirm that once we get the *Hansard*, which has been a little bit slower. They've been a bit under the pump with lots of committees, so it may be a week or two before we get those questions to you, but we will write to you with those. Thanks for your time today. We appreciate your appearance and submission.

WITNESSES - Thank you.

The witnesses withdrew.

The Committee suspended from 4.17 p.m. to 4.29 p.m.

Corinna Economic Advisory

CHAIR - Thank you, Saul, for appearing before the Energy Matters Committee. We appreciate that you preferred to present to the Committee rather than provide a submission, so we will invite you shortly to make an opening comment. We are focusing particularly on the energy costs and impacts on major industry at the moment, as well as the emergence of data centres and AI infrastructure, rather than the broader picture, because we've looked at that more directly previously. Obviously, it's all connected, so we welcome your thoughts on the topic generally as well, but I just want to ask, because you're appearing remotely, Saul, do you solemnly promise and declare that the evidence you'll give the Committee to be the truth, the whole truth and nothing but the truth?

Mr SAUL ESLAKE, PRINCIPAL, CORINNA ECONOMIC ADVISORY, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED (via Teams).

CHAIR - Thank you. This is a public hearing; it is being broadcast and transcribed for the purposes of our inquiry. Everything you say is covered by parliamentary privilege while you're before the Committee, but that may not extend beyond the Committee hearing.

Mr ESLAKE - Understood.

CHAIR - If there's anything of a confidential nature you wish to share with the Committee, you could make that request; otherwise it is all public. Do you have any questions before we commence?

Mr ESLAKE - No.

CHAIR - Thank you, Saul. I'll invite you to introduce yourself and then speak to the topic, and we will no doubt have questions for you to follow.

Mr ESLAKE - Thank you, Chair. My name's Saul Eslake. I'm an independent economist. I was, as I think you all know, on the board of Hydro Tasmania between 2008 and 2018, although that is, as that suggests, now almost a decade ago. I'm not here representing any other interest. As I think Members of the Committee will be aware, I did undertake an assessment of the case for Project Marinus for Clean Energy Tasmania earlier this year. That's been published and I suspect some of you may have read it. It's not my intention to go over that again today, unless you want to ask me particular questions about that.

I guess the only two observations I'd make at the beginning of this - and primarily I'm here to answer your questions rather than to make statements on behalf of myself - first of all, that it's been my longstanding belief, and by that I mean going back 30 years, that the model of Tasmania's economic development that was originally founded by Albert Ogilvie -

Ms OGILVIE - Great man. Thanks very much.

Mr ESLAKE - and Sir Robert Cosgrove and Eric Reece in the 1930s, '40s and '50s and continued by Robin Gray in the 1980s, of combining cheap energy and cheap workers to produce, essentially, undifferentiated commodities competing primarily on the basis of price, ran out of puff in the early 1990s. It was only viable - and it was viable - when the world, as

far as Tasmania was concerned, consisted of a small number of other high-cost countries, namely Japan, North America, Western Europe and the rest of Australia, and you could combine cheap energy and cheap workers to sell into those markets. But ever since China, the rest of Asia, Latin America and eastern Europe - all of whom have the capacity to produce at much larger scale than is possible in Tasmania and don't have the same disadvantages of remote location as Tasmania inherently does - it's never really been economically sustainable for that model of Tasmania's industrial structure to be commercially viable, and none of the major users of electricity in Tasmania would, if they weren't here already, have been established in the last 20 or 25 years. Therefore, I remain very sceptical of efforts to keep those industries running at what is potentially a significant cost to the Tasmanian government in terms of revenue forgone. And I say that notwithstanding the understandable concern that all of you - members of parliament, members of the community and me - have about the employment security of the people who are working there and others who participate in the supply chains to those major industrials.

But what I particularly underscore is that if governments choose, nonetheless, to forgo revenue or provide other forms of financial assistance to major electricity users in Tasmania, the cost of that should be fully disclosed. It should not be hidden behind commercial-in-confidence provisions, or others. I think the Tasmanian public is entitled to know how much it is costing them to sustain those industries and to make an appropriate judgement and say whether they think that's an appropriate use of public funds.

I should say that when I was on the Hydro board, and as a result, was one of the few people who actually knew what the major industrials were paying for the electricity they consumed, just for my own satisfaction, I worked out how much it cost per job allegedly created by each of those industries to create or to sustain those jobs. I'm not going to disclose those figures because that would be a breach of my undertakings as a director of Hydro Tasmania, but I was staggered at what the cost was. And although that calculation was made more than 10 years ago, I would be surprised if it has materially changed since then. I think that's a figure that the Tasmanian public is entitled to know.

The second thing I'd say, Chair, is in the context of the much more recent debate about data centres operating in Tasmania. One point I'd note is that, as far as I understand it, the data centre operators are not seeking power at discounted prices, but have been willing to pay, essentially, market prices for the power they wish to consume. While that doesn't necessarily mean that everything else they want should be granted, nonetheless, I think that is a point in their favour.

It was my understanding that Firmus had undertaken to ensure the provision on-island of twice as much generating capacity as they plan to use, and that would’ve been another reason for welcoming that kind of investment, subject to all the other environmental and associated criteria being met. But in the aftermath of the failure of Firmus's proposed float on the stock exchange, it has come to light that Firmus is now suggesting that the commitments it's made to additional electricity generation aren't confined, or won't necessarily be satisfied by building that capacity in Tasmania, but rather will be on the mainland. If that is the case, and assuming that the proposed data centres still go ahead, that, I think, is a matter of very considerable concern, in particular because it removes one of the major sources of economic upside for Tasmania - getting that additional on-island generation, bearing in mind that once the construction phase of data centres is completed, there's not much employment and there's not much other contribution to Tasmanian-based supply chains arising from their operation.

More particularly, if data centres were to be importing almost all the time something like 450 megawatts from the mainland, that would seriously undermine the economic case for Marinus, because while Marinus, like Basslink, can be used for both imports and exports, it can't be used for both at the same time. And so, if Tasmania had to import 450 megawatts from the mainland most of the time - bearing in mind that for the time being, Hydro has lost the generating capacity at Tungatinah as a result of the recent fire there, then the economic case for Marinus, which I wrote about for Clean Energy Tasmania a few months back, would be seriously undermined. Therefore, my view is that if Firmus can't guarantee that it will meet its previous commitment to produce on island at least twice as much electricity as it proposes to consume, then the government ought very seriously to consider whether the proposed data centres should be allowed to go ahead.

That's all I had proposed to say, Chair, and I'm more than happy to answer whatever questions you and other members have as best as I can.

CHAIR - Thanks, Saul, that's really helpful information for the Committee. You probably didn't watch the hearing this morning, did you?

Mr ESLAKE - No.

CHAIR - We did have representatives from TMEC and from Bell Bay Advanced Manufacturing Zone talking about the need for an energy strategy and a plan for when the government does engage with these customers, these older, our major industry players, how the set of rules, if you like, and guidelines around that, but they talked about the importance of looking at the jobs created per megawatt. They stated that for the existing industries the one megawatt of energy has the potential to create downstream processing jobs as well, not just the job right there at that particular plant but further downstream, whereas -

Mr ESLAKE - Sorry, Chair, you just froze up for about a minute then. You were just saying something about jobs per megawatt and then it froze.

CHAIR - Yes, they're talking about jobs per megawatt created and there's more value in the existing companies because they create further downstream employment, downstream processing opportunities for their product, whereas the data centre, for example, doesn't really create that further employment as such. Certainly not on the island - like NVIDIA will make a lot of money, but they're not based here. They made a pretty compelling case, if you like, for retaining these companies as opposed to just replacing them with something new that doesn't provide that same economic benefit flowing through our local economy. Do you have a comment on that?

Mr ESLAKE - Well, I think they're right to say that those traditional industries create a lot more employment both directly and indirectly than data centres would per megawatt. I think that's unarguable. However, I'm not sure that jobs per megawatt is a meaningful indicator independently of how many dollars are paid for each of those megawatts in terms of the cost for Tasmania. You could for example - and I'm deliberately taking these numbers off the top of my head and not suggesting that they're real numbers - but it surely makes a difference to the judgments Tasmanians should make as to whether each of those megawatts is costing 50c or $5 when you're looking at the number of jobs per megawatt.

The point I'd make is - and this is perhaps expanding what I said before about the Ogilvie-Cosgrove-Reece-Gray model - Tasmanians have been brought up to think that hydroelectricity is the cheapest form of electricity available. During that era it was, by comparison with coal-fired or more recently gas-fired generation. Increasingly, as Australia makes the transition to 100 per cent renewable energy, solar and wind will be cheaper than hydro. The value in hydro is in providing electricity when the sun isn't shining and the wind isn't blowing and/or in firming generation contracts entered into by renewable generators.

That means, and this was part of my argument as to the case for Marinus, that the greatest value to the people of Tasmania from the hydroelectricity generating capacity which they own through Hydro Tasmania is in its capacity to sell electricity at different times of the day and at different times of the year, when it is at its highest value. That needs to be taken into account in any consideration of whether, alternatively, the same amount of electricity should be sold at very low prices compared with what could be obtained through firming contracts or selling to the mainland in order to create a specified number of jobs, directly and indirectly at major industrials. As I say, those decisions could be made on grounds other than economics. I understand that. I'm not saying that every decision government should make should be motivated by the bottom line, but I think the public is entitled to know what the bottom-line cost is of any decisions that are made for reasons other than that and they shouldn't be hidden behind commercial-in-confidence considerations.

Again, I repeat something I think I once said on the radio, that the negotiations that were held with Rio Tinto in particular were, in effect, a very large, profitable multinational company holding a gun at the head of the Tasmanian and federal government saying, 'If you don't give us cheap power, we will close this factory down' - this factory in the most marginal federal electorate in the country and one which is obviously important to determining the outcome of Tasmanian parliamentary elections as well - 'If you don't give us what we want, we'll close this factory down and you will cop the political blame'. The deal was only done for five years, which means it's London to a brick that in five years' time they'll do exactly the same thing.

Mr BAYLEY - I've got a question, Saul. Thank you, that all checks out in my mind. I've got a question around the data centre commitment to build two for one; every one megawatt they use, they're going to build two. I haven't heard a credible explanation - how do you envisage that could or would be delivered? Putting aside the fact that it's now a commitment that may be related to the mainland and not necessarily Tasmania, how would a private company who enters into a power purchase agreement as a direct connected customer ensure that two megawatts are built - unless it was building it itself - for every one megawatt that it consumes? How could it do that?

Mr ESLAKE - Well, I think the way in which it would be done would be that Firmus or anybody else in a similar position would have to show that they have entered into arrangements with prospective wind or solar generators to construct and keep in operational condition the capacity to generate twice as much electricity on-island as they propose to consume. Now, it might be impractical to say that that capacity must be operating all the time, but the capacity should be there.

Obviously as we've seen with Cattle Hill and Granville Harbour and prospectively with other developments that are under contemplation at the moment, based on how many turbines there are and what their capacity is when they're operating, how many megawatts that's capable of producing and how many gigawatt hours it's capable of producing if it were to run for a full

year, given normal assumptions about how often the wind's blowing, you would expect you would make as a condition for any approvals that are required for that data centre to begin operating that it has shown that it has entered into arrangements that will produce that additional generating capacity.

Mr BAYLEY - I guess that's my question. I mean, two of three approvals have been delivered already and there just doesn't seem to be any genuine or credible mechanism that the government has, or any of us have, to hold a private company to this commitment. They've received their approvals. They're making this pledge. It's hard to believe, but they're making it and yet there's no mechanism to actually hold them to it.

Mr ESLAKE - Well, I'm not a lawyer, so I don't know what additional powers the state government might have. Presumably, maybe it has the capacity to withdraw approvals that it has previously given because those approvals were given on the basis of commitments that the company is now walking away from. Well, if a company can do that, then so presumably can the government.

Mr BAYLEY - Does this go back to the issue, that the government is promising and the federal government - well, the Tasmanian government is promising expectations but not proposing to legislate or make them enforceable -

CHAIR - Binding in any way.

Mr BAYLEY - Binding or enforceable - I guess, does that build the case in your mind that any guardrails or expectations of data centres absolutely should be legislated so that the government has some recourse and some mechanisms to insist that they are met?

Mr ESLAKE - They could either be legislated or put into contracts that are enforceable at law. I say that not being a lawyer.

CHAIR - There's also the challenge that this deal that was done at commercial rates, which was a fair question. The Committee already had Firmus in some time ago. That's only three years, and so it's a short time. One could see a future where, particularly with the recent challenges, that it's built, it starts to operate and then the power purchase agreement comes up for renew and they do the same thing as a major and say, 'Well, sorry, we're going to pull out if we don't get a better price on this because our circumstances have changed. We need a bit of a sweetheart deal now.' They could do that?

Mr ESLAKE - Yeah, the only difference in that context, Chair, might be if the power supply arrangement was with another commercial organisation rather than with Hydro Tasmania. In other words, the taxpayers - the government wasn't forgoing potential revenue.

Ms OGILVIE - Hi, Saul, thank you so much for joining us. I just want to switch tacks a little bit because, as you know, I'm from the telco sector generally and the tech side. I wanted to just sort of test your thinking a little bit if I could -

Mr ESLAKE - Sorry, it's freezing up again.

Ms OGILVIE - The screen's freezing. Are you back? Hello?

Mr ESLAKE - Yes, yes.

Ms OGILVIE - I did ask this of the others who've presented this morning, particularly in relation to how we measure the value of what we're spending by way of megawatts per job. It seems to me that we have a point in time where we are bringing the older industries, the energy sector, a new Marinus project and the tech sector together. This confluence is happening because of the age of AI data centres, Marinus happening, et cetera, et cetera. I sense that the old measure that we've used, which is, in summary, jobs per megawatt, is a little bit of a blunt instrument. Just bear with me and see where we get to with this.

And so, if I look at it from the perspective of the tech sector in Tasmania, which is a $1.7 billion industry, and data centres being integral to the ecosystem, telecommunications, the big platform providers such as Meta, but specifically around training and development opportunities with UTAS and, importantly, subsea cable connectivity, which in itself has the capacity to generate a step-change economic uplift, particularly for an island state that is only connected by subsea, do you think it's possible - I've asked this a few times, but I reckon you'll have a good answer to it, do you think it's possible to somehow bring everybody into the same tent so that we can agree a measure for the new industry, which is this horizontal-ecosystem tech sector, IP-driven area, and the vertically integrated minerals and manufacturing, which is the backbone of Tasmania, we'll all agree? How do we mesh those two things together so that we can account for developing industry at this sort of digital tech, digital economy side, plus also still measuring the really important value of our minerals, as TMEC would have us done? I think people want to do that, but I'm not sure how we do that.

CHAIR - Just to clarify the question, what's the question, sorry?

Ms OGILVIE - He's got it.

Mr ESLAKE - Okay, the first thing I'd say is to reiterate that I'm not sure that jobs per megawatt is the right way to calibrate these. It should be jobs per dollar. In other words, it's not independent of the value of those megawatts. Secondly, to reiterate that, as far as I understand it, the data centres are not asking for a subsidised price in the way that the traditional major industrials have done, and that's a good thing. The third thing, I'd certainly agree with the point you make that having internet cable access -

Ms OGILVIE - We want more of that.

Mr ESLAKE - you know, the subsea cable access is very important. And that is, as I understand it, a part of the deal that Firmus was proposing to enter into. So, you know, so far so good. And a fourth point, which I think is similar to one that you were making, is that the tech sector in Tasmania has been a very promising and encouraging development, in particular because it's one of a handful of industries where, at least as measured in the national accounts, labour productivity in Tasmania is as high as, or even higher than it is on the mainland. And apart from agriculture and electricity generation, there aren't many sectors of which that is true. There's a lot to be said about wanting to encourage further growth in Tasmania's IT sector.

What I'm not persuaded of - I don't want to be too dogmatic about this, but I haven't been persuaded, is that data centres are themselves an important part of that. As I say, beyond the construction phase, they don't create a lot of employment in Tasmania and they don't add a lot to local supply chains, and it's not necessary for those data centres to be located in Tasmania

for IT businesses to make use of them. Clearly, part of Firmus's intention in putting them in Tasmania is they're not suggesting their only customers are going to be in Tasmania; their customers are going to be across Australia and potentially beyond.

Ms OGILVIE - Hence the cable.

Mr ESLAKE - It's also apparent in the way that they seem now to be focusing a lot of their attention on Batam, the Indonesian island that's not far away from Singapore, and other centres in Singapore and Malaysia. So, having them physically located in Tasmania is, to my way of thinking, not necessarily a guarantor of, or indeed a necessary condition for further growth in Tasmania's IT sector, which is something I would like to see.

Ms OGILVIE - So, they are locating, is my understanding -

CHAIR - We're nearly out of time.

Ms OGILVIE - Sorry, I'll just be really quick because this is very helpful. They're obviously locating close to where the subsea cables are terminating in that big global network.

Mr ESLAKE - Mhm.

Ms OGILVIE - My understanding is that the low latency that we could have here on-island will allow us to do business from the mainland that we wouldn't otherwise have, such as be a centre for financial management services, data, banking, financial services, those sorts of areas where it has to be a quick turnaround. So, I'm just not convinced -

CHAIR - Do you have a question?

Ms OGILVIE - Yep. That if we keep saying, 'data centres don't employ many people', that's right. You only need one to come in and turn the lights on and off. But it's integration in the economic development of Tasmania, I think, is a bigger piece. And I agree that - I'm not sure we've got there yet, Saul.

CHAIR - So, this is your question?

Ms OGILVIE - Do you have any suggestions about what we ought to do?

Mr ESLAKE - Well, again, I reiterate, I'm not sure that we need to have data centres here for that to happen. I think - and I'm not professing to be an expert here, better education and training, and building up the skills of people who can work in IT firms or who can start IT firms themselves. That is, they have the skills and they have the entrepreneurial mindset to make the best use of that. We've been through similar experiences in all of this with call centres. There were reasons why they should be set up in Tasmania. Qantas and I think one of the major banks had one of those here, and they were here for a few years and then they've all closed down again.

Ms OGILVIE - They went to New Zealand because they gave them a better deal. Okay, I'll stop monopolising. Thank you.

Ms FINLAY - I've got two quick questions, thanks, Saul. You then pose the question, why did they come to Tasmania? It could be imagined that our clean, green renewable reputation was useful for their IPO and, therefore, paying market price for our energy is reasonable. But actually a question, given what's played out, actually paying a premium for it because they get a benefit being associated with us, whether there's a question - if you have an opinion about that?

My second question is, you mentioned Tungatinah: I'd like to hear your thoughts about short- and medium-term material financial impacts to Tasmania through the Tungatinah current circumstances.

Mr ESLAKE - On the latter one, Tungatinah was, from memory, about 5 per cent of Hydro Tasmania's generating capacity when I was on the board. Not having been on the board now for almost 10 years, I don't have any insight into the financial operations of Tungatinah and what might be entailed in any decision as to whether to repair it, restore it or, although I think it would be regrettable, leave it as it is. I just simply don't know, and I don't think I can answer that particular question.

As to the first one, which is obviously an important one for Tasmania to be thinking about: yes, it's possible that Firmus was wanting to portray itself as being clean and green. They're obviously prepared to spend, or have been prepared to spend, a lot of quite a lot of money shaping public opinion, as shown by their enthusiasm for sponsoring Tasmania's three most important sporting teams. Whether or not they will continue to do that now, I guess, is a question that many people, me included, will be asking but I don't know the answer to it. There's always a risk, of course, too, that if they were to become embedded in the Tasmanian economy, they could do a Rio in five years' time and threaten to walk away unless they got a much lower price.

CHAIR - That's what I said to you so earlier, Saul. It's only three years.

Mr BAYLEY - Yes, except they don't have the jobs.

Ms FINLAY - Would you expect that Treasury are doing the modelling on the impacts of Firmus bringing all their power in over Marinus, and therefore preparing to make recommendations about continuing to support or withdraw support for Firmus in Tasmania? Do you think Treasury should be doing that?

Mr ESLAKE - I hope they are. I don't know, but I hope they are, and it would be appropriate for them to be doing so.

CHAIR - Unless there's any really burning questions, we'll thank Saul for his time. Thank you for your views on this. We appreciate your time.

Mr ESLAKE - Thanks for having me.

The witness withdrew.

The Committee adjourned at 5.01 p.m.