



Tasmanian Council of Social Service Inc.

Submission to the Project Marinus *Project Assessment Draft Report*

9 April 2020



**INTEGRITY
COMPASSION
INFLUENCE**

Mr Stephen Clark
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Dear Mr Clark

Thank you for the opportunity to comment on the Project Marinus *Project Assessment Draft Report (PADR)*.

Background

TasCOSS is the peak body for the community services sector in Tasmania. Our membership includes individuals and organisations active in the provision of community services to low income Tasmanians living in vulnerable and disadvantaged circumstances. Our vision is one Tasmania, free of poverty and inequality where everyone has the same opportunity.

In relation to energy policy, our goal is that all Tasmanians have access to an affordable, safe and reliable electricity supply.

Introduction

TasCOSS acknowledges the great potential inherent in Project Marinus. A project of this size and scope has the potential to benefit many aspects of Tasmanian life, including through increased investment, boosting the local workforce and their communities, increased returns to government and importantly, supporting Australia to transition to a low-emissions, renewable energy future.

TasCOSS does not dispute there would be net economic benefits from a project of this size - we would expect any significant infrastructure project to deliver a net economic benefit. Our core concern and the focus of this submission, is that the costs of Marinus Link also have the potential for detrimental consequences for Tasmanian consumers, in particular, residential consumers. While the PADR identifies benefits from a Marinus Link to mainland National Electricity Market (NEM) customers and Tasmania as a whole, it does not demonstrate benefits to Tasmanian residential consumers that outweigh costs.

TasCOSS acknowledges a second interconnector between Tasmania and Victoria is a significant investment, with the potential to deliver low-cost, reliable, clean electricity to mainland NEM customers and unlock further renewable energy development in Tasmania. We also note the 'identified need' stated in the PADR:

“The characteristics of customer demand, generation, and storage resources vary significantly between Tasmania and the rest of the NEM. Increased interconnection capacity between Tasmania and the other NEM regions has the potential to realise a net economic benefit by capitalising on this diversity.”¹

While TasNetworks states that this identified need is appropriately focused on the objective of realising a net economic benefit for consumers², TasNetworks also recognises that energy market benefits are principally to mainland NEM customers³. TasCOSS agrees and is yet to be convinced that the identified need presents a net economic benefit to Tasmanian residential consumers.

Costs to Tasmanian Residential Consumers

The illusive question of ‘who pays’ for the Marinus Link remains unanswered. Yet it is critical that Tasmanian households are not burdened with increased costs to fund an infrastructure project that principally benefits mainland customers and Tasmanian generators.

The PADR Summary Document attempts to address Tasmanian consumer benefits by stating:

“Our analysis shows that Marinus Link and supporting transmission are expected to reduce wholesale electricity prices compared to what they would be without Marinus Link and supporting transmission, across the NEM regions over time... Tasmania is shown to be unaffected, which reflects the Tasmanian Government commitment that prices in Tasmania will not increase as a result of Marinus Link and supporting transmission.”⁴

TasCOSS is not aware of a commitment by the Tasmanian Government that prices in Tasmania will not increase as a consequence of Marinus Link. If it can be confirmed by the Government, such a commitment would provide comfort to TasCOSS in our assessment of Project Marinus. In the full PADR document, the reference to pricing states:

“In the case of Marinus Link and supporting transmission, however, the Tasmanian Government has stated that Tasmanian customers should not be worse off as a result of Marinus Link, and the Tasmanian Government has regulatory instruments available to ensure Tasmanian end-use customers are effectively shielded from any increases in the wholesale price.”⁵

¹ TasNetworks, RIT-T Project Assessment Draft Report, December 2019, p.42

² Ibid, p.43

³ TasNetworks, Initial Feasibility Report, February 2019, p.16

⁴ TasNetworks, RIT-T Project Assessment Draft Report – Summary Document, December 2019, p.9

⁵ TasNetworks, RIT-T Project Assessment Draft Report, December 2019, p.102

The statement by the Government that customers should not be worse off as a result of Marinus Link is unreferenced, but even if that is the position of the current government, it is neither a commitment or a guarantee that Tasmanian customers will not be worse off, nor does it bind a future government to shielding customers from wholesale price increases.

The PADR further states the costs of constructing and operating Marinus Link and supporting transmission must be met by customers through higher transmission prices. TasCOSS echoes the view *“that all customers in the NEM should pay for interconnector augmentations in proportion to the benefits they receive.”*⁶ We support changes to the National Electricity Rules (NER) that will deliver network cost allocations for interconnectors that are reflective of the benefits that those interconnectors provide across the NEM. In this regard, we welcome moves to implement a ‘fair cost methodology’ that are being progressed through the Energy Minister’s COAG.

However, the principle of fair cost allocation should also be extended to new transmission infrastructure and upgrades in the Tasmanian network. That is, those who benefit the most from on-island supporting transmission related to the Marinus Link, should pay the most.

Given Tasmania is almost 100 per cent renewable energy self-sufficient, the Marinus Link is not required to meet the electricity demand of residential consumers. Therefore, Tasmanian residential consumers should not be burdened with increased transmission costs required for the Marinus Link.

Applying the ‘fair cost methodology’ to Tasmanian transmission assets, it is reasonable that those who will benefit the most from further interconnection - mainland NEM customers, Tasmanian electricity generators and renewable development investors in Tasmania - should meet the supporting transmission costs, and not Tasmanian households.

It is essential that Tasmania ensures the state and its residents, businesses and communities will benefit from the Marinus Link over the long-term. Sharing our clean, reliable, renewable energy resources with the mainland must not come at a cost that is carried by Tasmanian consumers, future generations or our government.

Conclusion

TasCOSS is yet to be convinced Tasmanian households will be net-beneficiaries of the Marinus Link, or that it will benefit Tasmania in general to the extent that it has the potential to, including delivering lower wholesale electricity prices to Tasmanian consumers and returns on investment that provide long-term benefits to the state as a whole.

⁶ TasNetworks, RIT-T Project Assessment Draft Report, December 2019, p.10

In particular, TasCOSS is concerned the costs of Marinus Link and supporting transmission will be met by Tasmanian residential consumers through higher transmission prices. We support efforts to agree on a fair cost allocation methodology for interconnectors, to ensure Tasmania only pays our fair share for infrastructure that principally benefits mainland NEM customers and generators. We would also welcome a guarantee that Tasmanian residential customers will not be worse off as a result of Marinus Link over the life of the asset.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Nic McBride', with a horizontal line extending to the right.

Nic McBride
Acting CEO

9 April 2020