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Via electronic lodgement
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Project Marinus PSCR Feedback

AusNet Services welcomes the opportunity to make a submission to the consultation process for TasNetwork's Project Marinus Project Consultation Specification Report (PSCR).

The electricity sector is facing transformation across all parts of the supply chain. New renewable sources of generation are displacing traditional fossil fuelled generation. The Finkel Review found that a more strategic approach is required and identified that planning frameworks need to be capable of facilitating the efficient development and connection of new Renewable Energy Zones (REZs).

TasNetworks published the Project Marinus Regulatory Investment Test for Transmission (RIT-T) PSCR in July 2018. The PSCR identifies the need for the second Tasmania to Victoria interconnector project including:

- to facilitate access to increased dispatchable generation;
- to increase energy security;
- to reduce ancillary services costs;
- to increase inter-regional market access; and
- to avoid future network investment.

The consultation seeks feedback on three specific questions, as well as general feedback on the report. AusNet Services is pleased to provide comments on the PSCR questions as follows.

QUESTION 1: Are there any other benefits that further interconnection will provide and/or are there benefits that we have presented that you disagree with?

1. Benefits

Energy security

Many of the identified risks and benefits relate to energy security and system security across multiple NEM regions. AusNet Services highlights energy security as a high priority issue and supports detailed

consideration of the benefits of increased interconnection to energy security for both Tasmania and Victoria.

The 2018 Integrated System Plan (2018 ISP) identified an energy security risk resulting from early coal generator retirements that is not mitigated by the 2018 ISP developments. Further work to assess and quantify this risk will be valuable and may also benefit future ISP modelling.

Dispatchable generation; energy security; and ancillary services

The next stage of the Project Marinus RIT would benefit from investigating whether the benefits described for access to dispatchable generation; energy security; and ancillary services will be fully realised by the proposed interconnector project. The location of the connection points in each State may require further augmentation in either Tasmania or Victoria to enable benefits to be fully realised.

The Victorian network has the highest capacity and strongest network in the south east of Victoria due to development of the network to support the concentration of thermal generation in the La Trobe Valley. With regard to the Victorian connection points for Project Marinus, connection along the east coast may be efficient due to the characteristics of the existing network design, and the possibility to better realise benefits without deeper network augmentation at that location.

Benefits of diversity

The identified need defined for this RIT-T highlights the variation in demand, generation and storage resources between Tasmania and the rest of the NEM and intends to realise a net economic benefit by capitalising on this diversity. A full exploration and explanation of the diversity in these resources and how this creates a net benefit for the NEM is required to ensure that the effect of the interconnector is not simply a relocation of generation and/or storage from one jurisdiction to another.

Network Resilience

The importance of network resilience across the NEM will increase as generation becomes more distributed and a combination of various intermittent generation types makes up the majority of the supply. Reliance on leveraging diversity of both resources and demand, will increase reliance on network availability and greater network resilience may be additional benefit of increased interconnection. Quantifying this benefit is difficult but is worth considering.

The PSCR identifies needs and benefits including a combination of benefits specific to Tasmania and Victoria, mutual benefits to both Tasmania and Victoria, and other benefits anticipated for the wider National Electricity Market (NEM). When bundled together these benefits support consideration of increased interconnection between Tasmania and Victoria.

QUESTION 2: Do you agree with our assumptions and our proposed approach to analysing the net market benefits under the RIT-T?

2. Assumptions and approach to analysing network market benefits

The Project Marinus PSCR states that where possible, TasNetworks intends to rely on the central assumptions and scenarios developed by the Australian Energy Market Operator (AEMO) for the 2018 ISP. The 2018 ISP published by AEMO in July 2018 proposed the least cost economic transmission network developments to meet the challenges of the energy transition, and did not identify the second Bass Strait interconnector as an economic development in the near term. Therefore development of the ISP assumptions to account for changes in the energy sector and improved information is needed if a different conclusion is to be reached in this RIT-T.

TasNetworks intends to more closely examine costs of new entrant generators including storage, modelling of hydro system and timing of thermal generation retirement. Significant changes to the 2018 ISP assumptions would be needed to reach a different conclusion on the need for and timing of a new interconnector. As noted in the previous section, AusNet Services strongly supports further analysis of the timing of thermal generation retirements and the influence of both age and economic factors on this timing. Changes to the assumptions for generator retirements could support earlier increased

interconnection between Tasmania and Victoria and is likely to also impact the timing of other developments forecast in the 2018 ISP.

Project Marinus is proposing a development that significantly differs from the 2018 ISP and stakeholders will therefore be seeking to understand from TasNetworks the different assumptions and benefit calculation that has led to this view.

QUESTION 3: Do you agree that we have identified appropriate credible options to address the identified need?

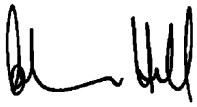
3. Credible options

The Project Marinus PSCR contemplates seven interconnector options with three possible connection locations in Tasmania and five possible connection locations in Victoria. AusNet Services is pleased to be providing technical support to evaluate the Victorian connection points and is of the view that whilst there are pros and cons for each location the options are credible from a technical perspective.

AusNet Services continues to offer our assistance to investigate further options and would be pleased to discuss any of the comments and suggestions in this response. Please contact Jacqui Bridge, our Manager Transmission Development, if we can assist with any queries in relation to this submission.

We look forward to the opportunity to provide further input as the TasNetworks' Project Marinus RIT-T progresses.

Yours sincerely,



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