



Ms Kate Symons  
Commissioner and Chairperson  
Essential Services Commission

Sent by email: [energyreform@esc.vic.gov.au](mailto:energyreform@esc.vic.gov.au)

9 November 2023

Dear Ms Symons

**RE: Revocation of Electricity System Code**

Thank you for the opportunity to comment on the Essential Service Commission's (ESC) draft decision to revoke the Victorian Electricity System Code (the Code) and the proposed changes to electricity transmission licences.

***APA's experience in electricity transmission***

APA is an ASX listed owner, operator, and developer of energy infrastructure assets across Australia. Through a diverse portfolio of assets, we provide energy to customers in every state and territory. As well as an extensive network of natural gas pipelines, we own or have interests in gas storage and generation facilities, electricity transmission networks, and 681 MW of renewable generation infrastructure.

In October 2022 we completed the acquisition of Basslink Pty Ltd, which owns and operates the 370km high voltage direct current electricity interconnector between Victoria and Tasmania (Basslink). The acquisition adds a third electricity interconnector to APA's energy infrastructure portfolio and is consistent with our strategy to play a leading role in the energy transition.

Basslink began operations in 2006 as a Market Network Service Provider (MNSP). A transmission MNSP is a transmission network asset that is not economically regulated by the Australian Energy Regulator (AER). Instead, the MNSP earns its revenue by trading in the wholesale electricity market, and 'arbitraging' wholesale electricity market prices between National Electricity Market (NEM) price regions.

For most of its life, Basslink has also had a commercial service contract in place with Hydro Tasmania (HT). Under this service contract certain market revenue earned by Basslink is transferred to HT, in return for a facility fee. The facility fee is an annual payment for making Basslink available to HT to the required technical standards and availability factors.

Basslink is the only transmission MNSP currently operating in the NEM and has been for some time. The revenue of all other Transmission Network Service Providers (TNSP) is regulated by the AER under the National Electricity Rules (NER).

On 19 May 2023, APA lodged an application to convert Basslink's network services from market network services to prescribed transmission services (i.e., convert Basslink from an MNSP to TNSP). On 15 September 2023, we submitted additional information in support of the conversion application and a revenue determination proposal. We are expecting the AER to make a final determination on our application by the end of 2024.

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### ***Revocation of the Code (Questions 1 & 2)***

APA recognises that the legislative landscape around electricity transmission and distribution has changed since the commencement of the Code, and we agree that where the obligations from the Code are replicated in the national electricity framework, stakeholders can rely on the latter. That being said, it is important to recognise that this national framework is designed to govern the operation of the NEM and may not fully capture all relevant aspects of managing network assets at a local level.

We consider it essential that transmission service standards are maintained for the capacity, security, and reliability of the transmission system in Victoria. The risk of connection point capacity, security and reliability erosion, as the transmission system evolves, needs a flexible regulatory environment, while maintaining consistency with the NER requirements.

As such, we are of the view that the Commission should not revoke the Code until satisfied that there would be no gap in performance standards for current and future TNSPs in Victoria. We encourage the ESC to consult further with key stakeholders on this issue. Depending on the views of other stakeholders, it may be appropriate to form a working group to determine what the minimum state requirements should be for electricity transmission networks in Victoria and to develop tangible performance targets.

### ***Amendments to transmission licences (Question 4)***

In our view, the proposed wording of the draft electricity transmission licence does not raise any concerns. However, in addition to the proposed changes, we consider that the final transmission licences should provide greater clarity around the specific service standards and obligations expected of TNSPs. For Basslink, these amendments should recognise that the standards are part of the commercial services currently provided as an MNSP.

### ***Proposed Timeline (Question 3)***

In line with our comments and recommendations above, we are of the view that revocation of the Code in December 2023 may not provide enough time to consider the various issues that may need be resolved. However, we look forward to continued engagement with the ESC on these issues.

If you wish to discuss our submission in further detail or have any further questions, please contact John Skinner at [REDACTED]

Regards

[REDACTED]  
**Beth Griggs**  
**General Manager Economic Regulation & Policy**