

Update regarding Basslink contract arrangements

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Background

- The Basslink Services Agreement (**BSA**) between Hydro Tasmania and Basslink Pty Ltd (**BPL**) (receivers and managers appointed) (in administration) was terminated by Hydro Tasmania on 10 February 2022.
- The BSA obliged BPL to bid Basslink available at \$0, (unless otherwise instructed by Hydro Tasmania,) and provided Hydro Tasmania with exclusive rights to the northward and southward inter-regional revenues (**IRRs**) arising from Basslink's operation in the National Electricity Market (**NEM**).
- A Ministerial Notice issued under s36 of the *Electricity Supply Industry Act 1995* (Tas) in 2014 imposed certain obligations on Hydro Tasmania related to the BSA¹ (**2014 Ministerial Notice**).
- On 30 September 2022, Hydro Tasmania and BPL's receivers, three individual partners from the firm FTI Consulting entered a short-term network services agreement which commenced on 1 October 2022 and is replaced by the new agreement described below.
- On 20 October 2022, BPL's receivers, three individual partners from the firm FTI Consulting completed a sale of Basslink to APA (an ASX listed company).

Modified contract position

- As part of the sale transaction, Hydro Tasmania and APA agreed a network services agreement between BPL and Hydro Tasmania that commenced at midnight on 20 October 2022² and will conclude on the earlier of:
 - regulation of Basslink by the AER; or
 - 30 June 2025; unless extended by the parties.
- Under the new network services agreement:
 - BPL is obliged to make Basslink available to the market at its safe continuous capacity at a price of \$0 / MWh³, unless otherwise instructed by Hydro Tasmania; and
 - Hydro Tasmania is entitled to receive the IRRs in respect of the safe continuous capacity.
- Hydro Tasmania may only instruct BPL to bid at a price other than \$0 / MWh in the circumstances set out in the attached Transport Bidding Protocol. These circumstances are all circumstances in which such bidding was permitted by Hydro Tasmania under the 2014 Ministerial Notice.
- If Hydro Tasmania issues an instruction for a bid at a price other than \$0 / MWh, Hydro Tasmania is obliged by the agreement to publish a notice on its website advising the reason.

¹ [Link to 2014 Ministerial Notice.](#)

² The short-term network services agreement concluded at midnight on 20 October 2022.

³ or the lowest positive price possible if there are AEMO bidding system restrictions on being able to do so.

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- During the term of the network services agreement, Hydro Tasmania will also monitor compliance with the Transport Bidding Protocol in accordance with Hydro Tasmania's Assurance Policy, as approved by the Hydro Tasmania Board from time to time, in accordance with ISO AS 19600:2015.
 - Unlike the BSA, the network services agreement provides a process that may allow BPL to make Southward IRRs available for purchase to Victorian generators should they require them in order to contract with Tasmanian customers and Northward IRRs available to Tasmanian generators should they require them in order to contract with Victorian customers.

Annexure – Transport Bidding Protocol

(1) In this Transport Bidding Protocol:

- (a) HEC means Hydro Tasmania
- (b) NER means the National Electricity Rules;
- (c) Contracted Bidding Capacity means:
 - (i) 462 MW for each Trading Interval during the period from 1 August to 31 December (inclusive) of each year; and
 - (ii) 447 MW for each Trading Interval during the period from 1 January to 31 July (inclusive) of each year⁴;
- (d) Dispatch Bid and Dispatch Interval have the meanings given to those terms in the NER; and
- (e) Lower Ramp Rate Bid has the meaning given to that term in section 4(a) of this Transport Bidding Protocol.

(2) Negative Bids for Northward flows

- (a) HEC may only request BPL to submit a negative bid which applies to northward flows across Basslink in respect of the Contracted Bidding Capacity if at the time of requesting that negative bid HEC holds the reasonable belief that during that Dispatch Interval the following conditions will prevail:
 - (i) the VSMP will be higher than the TSMP;
 - (ii) the TSMP will be negative; and
 - (iii) transmission constraints that affect the Latrobe Valley connection point will bind or start to bind.
- (b) Any such negative bid request may be submitted when HEC holds the reasonable belief all three conditions are met and must be withdrawn at the end of the current Trading Interval when any of the three conditions are not met or HEC holds the reasonable belief that they will no longer be met in the next Trading Interval.

(3) Positive Bids for southward flows

- (a) HEC may only request BPL to submit a positive bid which applies to southward flows across Basslink in respect of the Contracted Bidding Capacity:
 - (i) if there is a constraint active between Latrobe Valley and Thomastown and counter price flows across Basslink are occurring (i.e. flows on Basslink are from the high priced region to the low priced region); and
 - (ii) to ensure compliance with the NER where a negative northward bid has been made as contemplated by section 2 of this Transport Bidding Protocol.
- (b) In the case of:
 - (i) section 3(a)(i) of this Transport Bidding Protocol, HEC may instruct BPL to submit a positive bid on southwards flows across Basslink in respect of the Contracted Bidding Capacity where it holds the reasonable belief that this will stop the counter price southward flow. Any such positive bid may be submitted after publication by AEMO that the constraint is binding and must be withdrawn when AEMO publishes that the constraint is no longer binding; and
 - (ii) section 3(a)(ii) of this Transport Bidding Protocol, the positive bid will be initiated and withdrawn at the same time as the associated negative bid.

(4) Ramp Rate bids

- (a) HEC may only request the making of a Dispatch Bid for Basslink specifying a lower or minimum up and/or down Ramp Rate (being a Ramp Rate that is not less than the minimum allowable under the NER) (Lower Ramp Rate Bid) for any future Dispatch Interval provided that, at the time of directing the making of that Lower Ramp Rate Bid, HEC will also direct the making of a negative bid in accordance with this Transport Bidding Protocol.

⁴ Receiving end