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Building Tasmania
Tasmanian Government
Submitted online via the Have your Say portal

Dear Building Tasmania,

RE: Draft Expectations for Data Centres and AI Infrastructure Developers: Tasmania

Hydro Tasmania welcomes the opportunity to provide feedback on the Tasmanian Government's Draft Expectations for Data Centres and AI Infrastructure Developers (Draft Expectations).

Hydro Tasmania supports the Government's Draft Expectations which provide useful guidance for the development of emerging large-scale digital infrastructure opportunities in Tasmania. We also welcome their broad alignment with the relevant Australian Government Expectations, supporting a more consistent framework for data centre and AI infrastructure developers across jurisdictions.

Hydro Tasmania will actively assess requests like the one from Firmus Technologies (Firmus) for a long-term energy arrangement for demand associated with its proposed AI factories in Tasmania. Our approach to assessing this request is consistent with the Draft Expectations related to energy. Further detail regarding our discussions with Firmus for a potential long-term energy arrangement is available on our website.

Hydro Tasmania has also provided submissions to the Tasmanian parliamentary inquiry into AI Data Centres in Tasmania and the Joint Select Committee on Energy Matters, which provides further information regarding how Hydro Tasmania is assessing the request from Firmus. We would expect to apply a similar approach to any other request from other data centre or AI infrastructure developers.

In particular, there is alignment on the following key issues between Hydro Tasmania's current assessment approach and the Draft Expectations related to energy:

- **Expectation 1(d) – Commercial contribution and full cost recovery:** Any arrangement between Hydro Tasmania and project developers would need to be commercially sustainable for Hydro Tasmania and appropriately reflect the costs and risks associated with contracting the relevant load.

- **Expectation 4(a) – Supporting new renewable projects:** The size of these types of developments suggests that additional safeguards around new renewable supply are appropriate. Hydro Tasmania supports the expectation that project developers should bring on new renewable energy supply in Tasmania where this generation is required.

- **Expectation 4(b) – Firming arrangements:** Project developers are likely to require firming services to supplement new variable renewable generation. In alignment with the Draft Expectations, in Tasmania this firming capacity is likely to come from Hydro Tasmania's existing generation portfolio where available.

  The Draft Expectations state that "Any firming services provided by Hydro Tasmania should:
  - occur on commercial terms that provide an appropriate return and protect the interests of Tasmanians
  - maintain Tasmania's energy security and system reliability
  - not reduce Hydro Tasmania's ability to pursue broader market opportunities."

  Consistent with these principles, Hydro Tasmania is considering possible implications for energy security, new generation requirements, commercial sustainability and risk allocation as part of its assessment of Firmus' request for an energy contract.

  We have considered the practical application of the final dot point in section 4(b) which requires that firming services "not reduce Hydro Tasmania's ability to pursue broader market opportunities." As drafted, this could be viewed as an absolute constraint even where an arrangement is commercially sustainable and appropriately values any reduction in broader market opportunities. We assume the intent is that:
  - the requirement that firming does not reduce our ability to pursue broader market opportunities applies on a long-term basis noting that there are likely to be timing mismatches between the development of new load and generation which may necessitate temporary reductions in opportunities (as acknowledged in item 4(d)); and
  - arrangements that do reduce ability to pursue broader market opportunities may still be appropriate and commercial provided appropriate value is provided by a project developer under the agreement to offset those reductions.

  Hydro Tasmania therefore recommends Building Tasmania revise the final dot point in section 4(b) so that it requires broader market opportunities to be considered as part of the overall assessment for providing firming services. We propose the following wording:
  - "…have regard to Hydro Tasmania's ability to pursue broader market opportunities."

- **Expectation 4(c) – Demand management and back-up energy supply:** Projects of this nature will usually have some ability to provide flexibility to the electricity grid, depending on customer requirements and/or contracting arrangements. In addition, such facilities typically bring large volumes of on-site, back-up supply which can be utilised under certain market conditions. Hydro Tasmania considers demand management and back-up supply are sensible elements to promote in the Draft Expectations as these can assist in managing changing energy system conditions.

- **Expectation 4(d) – Timing of new load and generation:** Due to different development and construction timeframes, there will be a timing gap between the building of new data centre and AI factory developments and new variable energy generation coming online. Hydro Tasmania welcomes the acknowledgement of this timing gap within the Draft Expectations.

- **Expectation 4(e) – Energy security:** Any project developer's request to Hydro Tasmania for an energy contract would be assessed regarding potential impacts to Tasmania's energy security

and reliability, including under different hydrological conditions. When considering energy security and reliability, Hydro Tasmania engages with relevant government and regulatory authorities including the Tasmanian Economic Regulator and Renewables, Climate, and Future Industries Tasmania (ReCFIT). See section 2.4 of our submission to the Parliamentary Inquiry into AI Data Centres in Tasmania which provides an overview of energy security considerations in Tasmania.

Hydro Tasmania supports the Draft Expectations and looks forward to their finalisation by the Tasmanian Government following public consultation. If you have any questions regarding this submission, please contact Helen Gilmore, Policy Analyst, at [redacted].

Yours sincerely,



Ruth Groom
Acting Chief Executive Officer