

# Hydro Tasmania's Market Engagement Approach

***Draft for Consultation*** – April 2025



## Purpose

This **Market Engagement Approach** ('Approach') defines Hydro Tasmania's principles and processes for engaging with current and intending energy market participants in Tasmania. It outlines the steps in our evaluation process and criteria for assessing potential partnerships or agreements and is intended to provide confidence and clarity to proponents exploring contracting opportunities with Hydro Tasmania.

The Approach applies to current and potential:

- **Tasmanian Generators:** Developers and owners of energy generation projects seeking to explore contracting opportunities with Hydro Tasmania.
- **Large Energy Consumers (> 50 MW):** Businesses based in Tasmania with significant energy demand wishing to contract directly with Hydro Tasmania.

For smaller energy consumers (< 50 MW), engagement should be through a retailer. Hydro Tasmania will continue to engage with retailers as it has done historically, including through its published [Wholesale Contract Regulatory Instrument](#) (WCRI) offers.

It is not a pre-requisite to contract with Hydro Tasmania to enter the Tasmanian energy market. Proponents are encouraged to explore all available market options, including engagement with retailers and other energy providers. However, we recognise that many generators and large customers may wish to explore Hydro Tasmania's contracting offerings, including firming agreements, which may support their ability to enter contracts with third parties for their output or to manage their energy needs.

*Hydro Tasmania engages with the market through two distinct pathways:*

1. **Open-Door Engagement Pathway** – Hydro Tasmania welcomes proponents to approach us at any time with proposals that align with our strategic goals. This pathway follows a stage-based engagement process as outlined in this document.
2. **Structured Procurement Pathway** – When Hydro Tasmania identifies a specific market need—whether for our own portfolio requirements or to facilitate new developments—we may run a separate, formal procurement process. Any expression of interest (EOI) or tender under this pathway will include clear details on volume, timing, and assessment criteria, ensuring fairness and transparency.

The Approach aligns with [Hydro Tasmania's Ministerial Charter](#) by aiming to support the lowest possible power prices for Tasmanians and enabling economic growth and job creation in Tasmania. It emphasises accountability and transparency, while prioritising engagements that deliver long-term benefits for the state.

### Objectives for Market Engagement

Hydro Tasmania plays an important role in supporting Tasmania's transition to affordable, renewable energy and strengthening the state's long-term economic growth. Building on a century-long legacy, Hydro Tasmania continues to support the development of new low-cost variable renewable energy (VRE) and complementary technologies. Through its market engagement activities, Hydro Tasmania aims to facilitate opportunities in wind, solar, and other renewable projects — including Power Purchase Agreements (PPAs), firming solutions, and potential partnering or equity positions — to enhance Tasmania's energy security and affordability.

Hydro Tasmania seeks to undertake these activities in a manner which will:

- **Support Tasmania's future energy needs:** By enabling new energy supply that complements existing generation assets, and by supporting opportunities for enhanced interconnection where it strengthens system outcomes. This will allow Hydro Tasmania to expand the firming and firmed energy services it provides.
- **Encourage economic growth:** By exploring contracting opportunities with businesses seeking to grow or establish new energy-intensive industries within Tasmania, leading to increased economic activity.
- **Promote affordability:** By identifying and supporting the most cost-effective projects for contracting or partnering, helping to deliver the lowest possible energy costs for Tasmanian consumers.

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# Engagement Principles

The Approach is built on several guiding principles designed for collaboration, transparency, and sustainability. Each principle seeks to clarify the purpose of our engagement with market participants and guide how that engagement occurs.

## Principle 1: Balanced Contract Portfolio and Strategy-Driven Engagement

Hydro Tasmania aims to maintain a balanced contracting portfolio that supports a reliable and resilient energy supply for Tasmanians, while enabling us to respond to changing market conditions and align supply with demand over time.

## Principle 2: Transparent and Consistent Market Engagement

Hydro Tasmania takes a fair and consistent approach to evaluating proposals. Each proposed deal or development is assessed on its own commercial merits, including portfolio impacts. Market proponents can expect clear communication of objectives, decision-making criteria, and structured feedback on submissions at appropriate points in the process.

## Principle 3: Collaborative

Hydro Tasmania values collaboration and actively engages with market proponents. By fostering open dialogue, sharing knowledge, and co-developing solutions, Hydro Tasmania works with proponents to advance projects that meet Tasmania's energy needs while delivering mutual benefits to Hydro Tasmania and developers. Hydro Tasmania has a protocol when dealing with competitors which is intended to ensure both parties remain compliant with their competition law obligations.

## Principle 4: Sustainability-Focused Engagement

Hydro Tasmania prioritises partnerships and projects that align with its Environmental, Social, and Governance (ESG) commitments, ensuring that energy development contributes to a resilient, sustainable future. Our ESG priorities include:

- **Environmental Stewardship:** Supporting renewable energy projects that reduce carbon emissions, enhance biodiversity, and minimise environmental impact. This includes ensuring

responsible water management, ecosystem conservation, and climate adaptation initiatives.

- **Social Responsibility:** Engaging with local communities to foster inclusive development, supporting workforce transition to renewable energy industries, and ensuring First Nations consultation and participation in energy projects.
- **Governance & Transparency:** Upholding ethical business practices, ensuring compliance with regulatory requirements, and maintaining clear and consistent communication with stakeholders. Hydro Tasmania is committed to responsible procurement, fair competition, and transparent decision-making in all engagements.

By embedding these ESG principles into the Approach, Hydro Tasmania ensures that renewable energy investment delivers long-term benefits for Tasmania's environment, communities, and economy.

## What's on offer

In line with its market engagement principles, Hydro Tasmania follows a structured, stage-based engagement process with proponents to provide clarity and transparency for all market participants.

Hydro Tasmania offers a variety of energy contracting options that may support proponents in developing renewable energy projects or meeting the energy needs of their industrial developments. These include:

- **Firming Agreements:** Hydro Tasmania specialises in firming contracts and has a preference for this style of arrangement as it is where hydropower generation offers the greatest advantage. A firming agreement allows the ability to provide or procure firm energy by combining intermittent renewable generation with flexible capacity supply backed by hydropower.
- **Standard Energy Agreements:** Hydro Tasmania offers established contract structures under the Wholesale Contract Regulatory Instrument (WCRI), our unregulated rate card and Load Following Swaps sold to retailers to support their customer loads. These agreements provide transparent and predictable terms, ensuring proponents can engage efficiently within the

- existing market framework. Further information on these contract types is on our [website](#).
- **Power Purchase Agreements (PPAs):** Hydro Tasmania may contract output from renewable energy developers and asset owners through PPAs, enabling project financing and development by offering a secure offtake arrangement that meets the needs of the portfolio.
  - **Tailored Commercial Arrangements:** Hydro Tasmania recognises that evolving energy needs and market opportunities give rise to new contract styles and bespoke arrangements. Tailored contracts may include innovative structures such as equity participation, hybrid pricing mechanisms, or bespoke agreements designed to address specific operational, environmental, or strategic requirements. Openness to these arrangements reflects Hydro Tasmania’s commitment to collaboration and adaptability as the energy market evolves.

Contracts are able to incorporate long-term commitment, enabling financial certainty for both

parties. However, term lengths may vary based on specific project or portfolio needs.

### What’s needed from proponents

To ensure an efficient and productive engagement process, proponents should be prepared to provide as applicable:

- Projected energy generation profiles (for supply proponents) or consumption profiles (for demand proponents).
- Project details, including technology, location, capacity, and timeline.
- Evidence of development progress, such as feasibility studies or environmental approvals.
- Alignment with Tasmania’s renewable energy objectives and potential economic benefits for the state.

Providing this information allows Hydro Tasmania to assess alignment with its strategic priorities and ensures proponents receive timely and transparent feedback on the viability of their proposal.

## Open-Door Market Engagement Approach

Hydro Tasmania follows a stage-based engagement process to ensure clarity, transparency, and alignment with strategic objectives. Proponents must meet key evaluation criteria at each stage, including development progress, technical feasibility, regulatory compliance, and alignment with Hydro Tasmania’s strategic goals. A critical factor in progressing through the stages is the commercial viability of the proposal, particularly the ability to establish any contract at commercial rates. While Hydro Tasmania is open to engagement with a range of market participants, only projects that demonstrate clear economic benefits, financial viability, and long-term value to Hydro Tasmania will advance.

### Pathway to Securing Agreements

Stage	Proponent Demonstration	What Proponents Can Expect	Evaluation Criteria
1. Initial Inquiry and Scoping	Feasibility study and initial engagement for generators; load forecasting and preliminary energy assumptions for large consumers.	Hydro Tasmania engages with proponents to understand their high-level proposal, including their needs, targets, and Tasmanian economic benefits.	Alignment with Hydro Tasmania’s strategic objectives, project feasibility, and preliminary economic viability.



<b>2. Detailed Proposal and Evaluation</b>	Development approvals, environmental impact assessments for generators; site development and initial load verification for large consumers.	Hydro Tasmania refines contract requirements and assesses feasibility, providing indicative pricing.	Credibility of proponent development timing, project progress, environmental and social impact considerations, initial financial modelling outcomes.
<b>3. Connection and Regulatory Approvals</b>	Submission of connection inquiry to TasNetworks and demonstration of readiness for grid integration.	Hydro Tasmania provides high-level contract terms and refines pricing assessments.	Reasonable probability of ultimate grid connection, (i.e. grid compatibility, regulatory compliance, technical feasibility, manageable impact on system stability).
<b>4. Financial and Commercial Agreements</b>	Power Purchase Agreements (PPA) for generators; contract negotiation and financial assessment for large consumers.	Hydro Tasmania provides firm contract terms and pricing, which would be subject to key milestones such as Final Investment Decision (FID).	Commercial viability, financial strength of proponent, risk assessment, long-term value to Tasmania.
<b>5. Contract development &amp; Implementation</b>	Final agreement and operational readiness.	Hydro Tasmania and the proponent finalise and execute the contract.	Execution readiness, risk mitigation measures, compliance with agreed conditions precedent.

## Structured Procurement Processes

Hydro Tasmania may initiate a structured procurement process to address specific portfolio requirements. These processes provide a defined framework for assessing proposals and ensuring the best commercial outcome. When initiating a structured procurement process, Hydro Tasmania will provide clear information about contracting requirements, including specific generation technology types or other relevant attributes.

A structured procurement process may be used when:

- Hydro Tasmania requires specific energy products or services to balance its portfolio.
- A new development requires either an energy customer or a supply partner, and a competitive process is the best approach.
- Multiple proponents are positioned to fulfill the requirement, making a structured process the preferred option to facilitate fairness and transparency.

Hydro Tasmania intends to provide periodic guidance on anticipated contracting needs via a public statement of anticipated contracting requirements. This may include forward-looking information on potential volumes, timing, and technology preferences (for procurement), as well as the availability of contracts (for sale),

including energy and firming products. While any such guidance would reflect current portfolio priorities and system outlooks, it would remain indicative only and subject to change.

## Procurement Process Overview

Each procurement process will have specific information requirements, assessment criteria, and timelines, which may follow the structure below:

Stage	Steps Taken
1: Market Notification and Expression of Interest (EOI)	<p>Identify potential participants and gauge market interest.</p> <p><b>Proponents to provide:</b></p> <ul style="list-style-type: none"> <li>• High-level project summary and strategic fit.</li> <li>• Preliminary technical and financial details.</li> <li>• Expression of capability and intent.</li> </ul> <p><b>Timing:</b> EOIs typically open for 4-8 weeks.</p>
2: Request for Proposal (RFP) and Detailed Assessment	<p>Solicit formal proposals from selected proponents.</p> <p><b>Proponents to provide:</b></p> <ul style="list-style-type: none"> <li>• Full technical and financial proposal.</li> <li>• Risk assessment and mitigation strategies.</li> <li>• Development approvals and compliance documentation.</li> </ul> <p><b>Key Assessment Criteria:</b></p> <ul style="list-style-type: none"> <li>• Strategic Fit – Alignment with Tasmania’s renewable targets.</li> <li>• Technical Feasibility – Grid integration readiness, infrastructure compatibility.</li> <li>• Commercial Viability – Financial strength, pricing structure, long-term value.</li> <li>• Environmental &amp; Social Impact – ESG compliance, community benefits.</li> </ul> <p><b>Timing:</b> RFP submissions typically required within 8-12 weeks.</p>
3. Contracting and Final Decision	<p>Finalise commercial agreements with the selected proponent(s).</p> <p><b>Proponents to provide:</b></p> <ul style="list-style-type: none"> <li>• Execution-ready contract and implementation plan.</li> <li>• Final financial and legal documentation.</li> </ul> <p><b>Timing:</b> Negotiations, contract finalisation and respective approvals may take 3-6 months depending on complexity.</p>



Hydro Tasmania will assess whether a tender is required based on market interest and strategic alignment. Proponents engaging through the open-door process may be invited to participate in tenders where applicable, ensuring fairness and transparency.

## Engagement Protocols

Hydro Tasmania is committed to maintaining confidentiality in all market engagements. Any information shared by proponents will be treated as confidential and handled in accordance with our legal and regulatory obligations and may require a non-disclosure agreement (NDA).

Some engagements may involve discussions between actual or potential competitors (e.g., Hydro Tasmania and another generator). In such cases, we ensure compliance with competition law while protecting commercially sensitive information. When engaging with such proponents, the parties:

- **Cannot Discuss:** views on future market pricing, non-public plans or strategies, responses to third party tenders or details of other third-party dealings.
- **Can Discuss:** the price and terms of potential contracts for the supply or acquisition of products or services that either party wishes to sell or acquire from the other, including wholesale hedging contracts or water arrangements

Where an engagement may involve a potential partnership, joint venture opportunity or other collaborative structure Hydro Tasmania will usually propose that a detailed discussion protocol is implemented in order to facilitate initial discussions to identify the nature of any potential transaction and to enable the parties to obtain legal advice prior to progressing the matter further.

These measures are intended to ensure both Hydro Tasmania and any proponents it engaged with remain compliant with our obligations under competition law whilst fostering appropriate information sharing so the parties can assess the scope of potential transactions between them.


## For Further Assistance

Hydro Tasmania is committed to supporting proponents through the engagement process and ensuring clarity around regulatory and approval requirements. In addition to engaging directly with Hydro Tasmania, proponents are encouraged to explore external resources that provide guidance on the broader Tasmanian energy landscape.

Renewables Climate and Future Industries Tasmania, a division of the Department of State Growth, provides industry with advice on the Tasmanian approvals pathways including case management services for eligible projects. More details and contact details can be found at [REAP Case Management Service](#).

For further inquiries, proponents can contact Hydro Tasmania's Commercial Team at:

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 1300 360 441

 [hydro.com.au](http://hydro.com.au)