

April 2025

AER Public Forum: Marinus Link

On 3 April 2025, the AER hosted a public forum seeking stakeholder input on Marinus Link Pty Ltd.’s (MLPL) Stage 1, Part B (construction costs) revenue proposal and the AER’s Marinus Link Issues Paper.

Questions raised by public forum attendees are listed below as well as responses from MLPL and the AER.

- 1. How does the Clean Energy Finance Corporation concessional finance resulting weighted average cost of capital % compare to TasNetworks 5.9%? How many years will it last for?**

MLPL: Marinus Link Pty Ltd (MLPL) is unable to disclose the concessional finance rates applicable to the Clean Energy Finance Corporation (CEFC) loan. However, we are able to state the indicative benefits that will flow to consumers as a result of the reduced finance costs.

MLPL’s Revenue Proposal sets out the estimated impact of MLPL’s concessional MAR in comparison to the estimated non-concessional MAR, in real terms over the 2030-2035 regulatory period alone, as shown in the table below:

Maximum Allowable Revenue (MAR) (\$m real 2023)	2030-31	2031-32	2032-33	2033-34	2034-35
Non-concessional revenue	288	292	296	300	304
Concessional Revenue	176	168	170	177	184
Benefit to Customers	112	124	126	123	120

- 2. How can consumers be assured that the commodity cost reductions will flow in the value, timing and regions as modelled, against the fixed network fees?**

MLPL: In relation to the modelling outcomes, MLPL has engaged EY to conduct the RIT-T modelling which employs AEMO’s inputs, assumptions and scenarios. While there is uncertainty, the scenario analysis and sensitivity analysis should provide confidence that the cost-benefit assessment is robust. The RIT-T was updated in April 2024 and is published on our website. We will update the RIT-T again using the latest cost information prior to lodging the revised Revenue Proposal in July 2025.

- 3. Current costing of all “Project Marinus” is \$6.6 billion – Stage 1 and 2 of Marinus Link and NWTD?**

MLPL: The Revenue Proposal is focused on Stage 1, not both stages. The estimated construction cost for Stage 1 Marinus Link is \$3.86 billion¹, which includes enabling works for stage 2.

¹ Marinus Link, [Marinus Link construction costs undergo independent regulator assessment Marinus Link](#), December 2024

The April 2024 RIT-T Update² indicated that the total costs for Project Marinus (Marinus Link plus NWTB) were estimated to be \$6,575 million, (\$6.575 billion) which comprised costs of \$4,040 million for the first stage (which includes facilitation for stage 2), and \$2,535 million for completion of the second stage. The NWTB component was \$950 million for the first stage, and \$525 million for the second stage.

4. How does MLPL's stated aim that "A final investment decision on Stage 1 of Marinus Link is planned for May 2025" tally with the AER timeline (issues paper, p.2) which shows AER decisions in October 2025 and possibly as late as February 2026?

MLPL: Final Investment Decision (FID) has been aligned with key project milestones. The timing of FID project milestones ensures greater certainty of key project aspects, such as procurement, environmental permits and land access.

MLPL will receive a draft determination from the AER on approximately 46% of project costs in mid-May, ahead of FID on 31 May. Whilst not a final determination, this draft decision represents a significant component of consideration for FID. In addition, a number of independent assessments and assurance activities are being undertaken to ensure robustness of MLPL's forecast expenditure, with the aim to provide shareholders with the information they need to make an informed decision.

AER: The AER's Commencement and Process Paper³ sets out a staged approach for the construction cost revenue determination. In adopting an initial draft decision followed by a supplementary draft decision, the AER assess project costs for prudence and efficiency once they have been market tested.

5. Have you used changes in wholesale prices or retail prices in determining net benefit for consumers?

MLPL: The RIT-T cost-benefit analysis examines the changes in the cost of meeting customers' electricity needs, with and without Project Marinus. This is a resource cost assessment, rather than an assessment of expected changes in wholesale or retail prices.

Separately, FTI consulting's independent analysis (available on MLPL's website) models wholesale price reductions, with and without Project Marinus. The effect of the reduction in wholesale electricity prices is expected to equate to an annual reduction in the wholesale energy element of a typical customer energy bill in Tasmania and in Victoria relative to the without Project Marinus counterfactual. Project Marinus is also expected to reduce wholesale energy element of customer energy bills in all the other regions of the NEM.

6. How firm are the construction costs in the current proposal? Are MLPL able to increase these costs at a future time if they increase? Will customers have to pay for these increases?

MLPL: MLPL has already completed competitive tender processes for cable systems and converter station equipment, with a competitive tender process for the Balance of Works component currently underway. MLPL has also obtained independent assessments of the construction costs, as detailed in the Revenue Proposal. After the receipt of market-tested numbers from the Balance of Works tender process, MLPL will submit updated cost estimates to the AER in the revised Revenue Proposal.

AER: The initial draft decision will only consider those costs that are market tested, approximately 46% of the total project cost. In July 2025, MLPL are expected to submit to the AER their revised revenue proposal, following completion of the material change in circumstance assessment (MCCA) and the Australian Energy Market Operator's (AEMO) feedback loop process. The revised revenue proposal will include market tested costs for the balance of

² Marinus Link, [AER Letter – Project Marinus RIT-T Update](#), 16 April 2024

³ AER, [Marinus Link – Revised Commencement and Process Paper](#), December 2024

works, approximately 54% of the total project cost, the AER will assess these updated costs for prudence and efficiency in the supplementary draft decision.

7. Do the net benefits include any allowance for NWTG?

MLPL: The costs and benefits of NWTG have been included in the RIT-T assessment.

8. Regarding the AER process, can you clarify if there are separate consultations on the Draft Decision and the MLPL Revised Proposal or will the consultations on these be run jointly?

AER: AER will invite submissions on both our initial draft decision, expected 16 May 2025, and Marinus Link's revised revenue proposal, expected in July 2025. Submissions will be open until August 2025. Given the overlap of issues the AER considers it appropriate to seek stakeholder views on the initial draft decision and revised revenue proposal concurrently.

Stakeholders will have a further opportunity to inform the AER's decision with consultation on the supplementary draft decision commencing in October 2025.

9. Given the business case from a Tasmania perspective needs to include both NWTG and Marinus, are the AER timelines for both aligned?

AER: The AER recognises the importance of aligning the regulatory process, consistent with our decision for the NWTG Early Works and the Marinus Link Issues Paper being released concurrently. Where possible the AER will continue to align processes.

10. Will both cables will be laid with Marinus Link Stage 1?

MLPL: Only the first cable bundle (750MW) will be laid with Marinus Link Stage 1.⁴ During Stage 1 construction, we will also complete enabling works for Stage 2, such as installing conduit along the route to accommodate the future Stage 2 cabling. This approach minimises future disruption to landholders and is significantly more cost-effective than having to retrench the entire 90km underground cable route at a later date.

11. There are cost recovery bill impacts stated for Residential customers, however no statements regarding Business and Industrial customers?

MLPL: MLPL has provided cost and benefit impacts for typical residential customers in Tasmania and Victoria. Updated modelling will be completed ahead of MLPL's revised revenue proposal and will provide further information in relation to typical small business customers. For large customers and major industrial customers, MLPL has no visibility of their contract arrangements and therefore we are unable to estimate the cost and benefits for those customers. As a whole, however, Project Marinus is expected to deliver significant net benefits.

12. Presume from the discussion that the numbers provided don't include any NWTG transmission costs?

AER: MLPL's Stage 1, Part B (construction cost) revenue proposal relates to Marinus Link only, costs associated NWTG will be assessed under a separate contingent project application progressed by TasNetworks. For the purposes of AEMO's feedback loop process and the MCCA, the combined 'Project Marinus' costs are considered.

13. My impression is that the AER is not involved in the allocation of costs between Tas & Vic but that this is done by Ministers without any consultation being necessary. Can you clarify this please?

⁴ This includes installation of a twin cable system plus an embedded optical fibre

AER: The AEMC rule change relating to interconnector costs allows the Tasmanian and Victorian Governments to reach an agreement on cost allocation. The AER's role is limited to giving effect to any agreement.

MLPL: Section 10.3 of MLPL's revenue proposal includes a high-level price impact assessment based on 27.6% of the maximum allowed revenue (MAR) being recovered from Tasmanian customers and 72.4% from Victorian customers⁵.

14. Will Marinus Link occur without NWTG?

MLPL: Marinus Link and North West Transmission Developments (NWTG) are interdependent and together make up 'Project Marinus'.

15. What happens if the MLPL Board makes a go-ahead FID in May, but the AER subsequently finds that there is no longer net benefit due to cost increases for Balance of Works. Who bears this risk?

AER: The AER's role does not extend to determining whether there are net benefits for the project, this is considered under the MCCA to be completed by MLPL. In addition, AEMO's feedback loop process will need to confirm that the project remains on the optimal development plan in its most recent Integrated System Plan (ISP). In the event project costs increased such that there are no longer net benefits, MLPL may need to reapply the Regulatory Investment Test and AEMO's ISP would inform the future direction of the project.

MLPL: This is unlikely to occur given the magnitude of the expected net benefits. Generally speaking, if a TNSP incurs capital expenditure prudently and efficiently, those costs should be recoverable.

16. Are MLPL able to provide any info on the timing of a concessional finance agreement and the likely treatment of consumers in that?

MLPL: As revenue recovery will not commence until the second regulatory period, 2030-2035, there is no urgency to finalise the concessional finance agreement. It is likely, however, that the agreement will be finalised in advance of the Revenue Proposal for the second regulatory period, which is scheduled to be submitted in January 2029. Please refer to our answer to Question 1 (above) for further information on the benefits to consumers of a concessional finance agreement.

17. In light of your draft decision on Basslink will the AER be reconsidering if Marinus should remain being considered as a regulated link?

AER: Under the intending transmission network service provider framework, it is not open to the AER to determine whether Marinus Link should operate as a market network service provider or a regulated transmission network service provider.

Given Basslink currently operates as a market network service provider, the AER is required to determine whether regulation or operation as a market network service provider is in the long-term interests of consumers.

18. Will privately owned energy generators pay to use Project Marinus?

MLPL: Privately owned generators in the National Electricity Market (NEM) do not pay Transmission Use of System (TUOS) charges. They typically pay an initial connection charge which gives them the right to connect to the network, but they receive no guarantee that they can export all of their output. Unlike regulated assets, private generators do not receive their income from regulated revenue, rather they receive income from selling their energy as it is dispatched to the market. All costs for construction, operation and decommissioning of private generators are borne by the generator.

⁵ Marinus Link, [ML-B-002 MLPL Revenue Proposal Stage 1 – Part B \(Construction\)](#), December 2024