

20th February 2025

Anthea Harris
Chief Executive Officer
Australian Energy Regulator (AER)
Level 17 Casselden, 2 Lonsdale Street
Melbourne VIC 3000

Re: Marinus Link – AER Guidance to support a Final Investment Decision

I am writing to you to seek your views on whether the AER would be able to provide guidance to the shareholders of Marinus Link Pty Ltd (MLPL) regarding the likely progress of the AER's revenue determination for Marinus Link at the time of its Draft Decision in May 2025. In the remainder of this letter, we explain the reasons for this request and the possible form of that guidance.

Reasons for requesting further guidance

As you know, MLPL submitted its Revenue Proposal – Part B (Construction costs) on 29 November 2024 in accordance with the AER's amended Commencement and Process Paper. This is an important milestone for the project, which is continuing to progress towards MLPL's Board and shareholders making a Final Investment Decision (FID) by 31 May 2025. The publication of the AER's Draft Decision by 16 May 2025 will play an important role in enabling FID.

The AER's Commencement and Process Paper explained that the AER would assess MLPL's proposed expenditure for the cable system and the converter station equipment, which comprises approximately 46 per cent of MLPL's construction costs. While MLPL accepts the AER's position that 'the costings for other elements are subject to too much uncertainty to meaningfully consult on and assess until they are market tested'¹, it means that MLPL's shareholders will face considerable uncertainty in making a FID. Specifically, the AER's Draft Decision will not provide any indication of the AER's likely position in relation to approximately 54 per cent of the forecast construction costs for the project.

Given this situation, shareholders have asked that MLPL seeks further guidance from the AER at the time of its Draft Decision to facilitate FID. In making this request, MLPL recognises that the AER cannot provide its assessment of the remaining cost categories at the time of its Draft Decision. Nevertheless, there would be considerable value to shareholders if the AER explained its likely approach to reviewing the remaining cost elements and the matters that the AER will take into consideration in making its final determination.

¹ AER, Marinus Link, Decision to amend Commencement and Process Paper, November 2024, page 5.

MLPL has set out below some suggestions for the scope of the further guidance that the AER could provide to MLPL's shareholders.

Possible scope of AER guidance to shareholders

To address the uncertainty at the time of FID, MLPL would be grateful if the AER could provide the following guidance to shareholders:

- The AER's likely approach to reviewing the Balance of Works costs, given MLPL's competitive tender process, the independent cost assessment provided in MLPL's Revenue Proposal, and the preliminary views of the AER's observer during the procurement process to date;
- The AER's approach to reviewing MLPL's support activities and the risk allowance and the information that it expects MLPL to provide in its revised Revenue Proposal to demonstrate that the proposed expenditure is prudent and efficient;
- The project governance and risk management measures that the AER would expect MLPL to adopt to ensure that its actual capital expenditure will be accepted into the regulatory asset base; and
- Any 'red flag' issues that have arisen during the revenue determination process to date and the steps that the AER expects MLPL to address these issues in its revised Revenue Proposal.

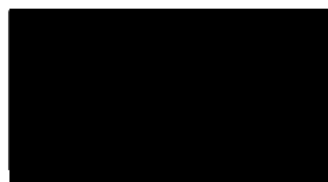
Shareholders' preference is that this further guidance would form part of the AER's Draft Decision. Alternatively, this information could be conveyed in a letter to shareholders at the time of the AER's Draft Decision, if the AER concluded that it should not form part of that decision. In principle, MLPL would have no objections to the AER's letter being made publicly available, subject to redacting any commercially sensitive information.

Closing

MLPL is grateful for the constructive engagement of the AER Board and staff during the revenue determination process to date. MLPL's shareholders would greatly value the AER's consideration of the matters raised in this letter. If you would like to meet to discuss further, please feel free to contact [REDACTED]

at [REDACTED]

Yours sincerely,



Collette Burke
Interim Chief Executive Officer