

17 April 2025

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

Dear Anthea

Re: AER's Issues Paper on Marinus Link's Revenue Proposal

Marinus Link Pty Ltd (**MLPL**) welcomes the opportunity to make this submission to the AER's Issues Paper, which was published on 21 March 2025. The publication of the Issues Paper is an important opportunity for stakeholders to consider the key issues arising from MLPL's Stage 1, Part B (Construction Costs) Revenue Proposal (**Revenue Proposal**) and provide feedback to the AER as it prepares its draft decision.

MLPL has decided to make this submission in order to assist stakeholders to better understand our Revenue Proposal and the rationale for our proposed approach in relation to the following matters:

1. **Enabling works.** MLPL's analysis shows that undertaking enabling works for Stage 2 as part of our construction costs for Stage 1 will result in lower total costs for consumers and minimise disruption for landholders.
2. **Stakeholder engagement.** MLPL has engaged extensively with stakeholders and remains committed to further engagement during the AER's review process.
3. **Stage 2 as a contingent project.** MLPL's proposal to treat Stage 2 as a contingent project will rely on AEMO's expertise to determine the optimal timing of Stage 2 for the benefit of consumers.
4. **Pass through events.** MLPL's nominated pass through events are consistent with recent AER determinations, with the exception of two additional events which are warranted with reference to the Rules requirements.

We discuss each of these points in turn.

1. Enabling works

The Issues Paper explains that MLPL has included enabling costs for Stage 2, which include the installation of conduits and jointing bays, in the forecast construction costs for Stage 1. The AER seeks stakeholder

feedback on this approach, noting that while MLPL considers that it will lower the costs of Stage 2, it may result in higher costs in the long run if Stage 2 is postponed or delayed.¹

MLPL's Revenue Proposal explains that undertaking the enabling works during Stage 1 avoids significant disruption to landholders as further civil works would be undertaken, possibly within a relatively short period of completing the Stage 1 works. Furthermore, we expressed the view that it would only be reasonable to expose landholders to the risk of repeated disruption if there were a very low probability of Stage 2 proceeding, but this is not the case for Marinus Link. This observation is consistent with AEMO's 2024 ISP which shows the following optimal timing for Stage 2 for each of its scenarios:²

- Progressive Change: 2036-37
- Step Change: 2037-38
- Green Energy Export: 2032-33.

Following the submission of the Revenue Proposal, we provided additional analysis to the AER in response to an information request. The results of the analysis are confidential because they disclose estimates in relation to the costs of civil works, which are currently subject to a competitive tender process. This analysis examined the expected costs to consumers under a range of different scenarios, including the possibility that Stage 2 does not proceed. The analysis showed that there is a significant expected cost saving for consumers in undertaking the enabling works as part of the construction costs for Stage 1.

We also note that staging the civil works would require much wider easements and create safety risks, as the works would need to be undertaken in close proximity to a fully operational live HVDC cable. These issues have not been factored into our cost-benefit analysis, as they would only further strengthen the case for proceeding with the enabling works.

For the reasons set out above, MLPL's position is that the inclusion of the enabling works in the Stage 1 construction costs is a prudent and efficient decision. In particular, it will avoid impacts and disruption costs for landholders; minimise the total costs to consumers; and maintain the option value associated with Stage 2 which is expected to proceed.

2. Stakeholder engagement

Chapter 3 of MLPL's Revenue Proposal summarises our approach to stakeholder engagement, which commenced almost 7 years ago. As a major infrastructure project, MLPL's approach recognises the need to engage effectively throughout the project's development to understand the issues that are most important to stakeholders and the broader community. MLPL's view is that effective consultation is critical to identifying the social, environmental and cultural impact of the project, as well as securing and maintaining our social license.

¹ AER, Issues Paper, Marinus Link - Stage 1, Part B (Construction costs), Electricity transmission determination 2025–30, March 2025, page 17.

² AEMO, 2024 Integrated System Plan, Appendix 5 Network Investments, June 2024, page 37.

In considering MLPL's engagement approach, it is important to note that the scope of MLPL's Revenue Proposal is more limited than would ordinarily be the case. This reduced scope arises because Marinus Link will be constructed during the 2025-30 regulatory period and will not be operational until late 2030. Consequently, MLPL's Revenue Proposal does not consider issues relating to operating expenditure; replacement or augmentation capital expenditure; service performance; or transmission pricing. Typically, stakeholders provide invaluable input on those matters, particularly where choices can be made between alternative expenditure and service outcomes. Given the current status of the project, however, those types of options do not arise in this Revenue Proposal.

While the scope for stakeholder input is more limited in our case, MLPL remains committed to engaging effectively with all stakeholders throughout the revenue-setting process. In this regard, MLPL welcomes the summary of approach to stakeholder engagement in the Issues Paper, including our focus on broad engagement with landowners, local communities and Traditional Owners in Victoria and Tasmania, which has been on-going since early 2020.

As noted in the Issues Paper, MLPL established a number of focus groups, such as the Aboriginal Advisory Group, First Peoples Advisory Group and the Gippsland Stakeholder Liaison Group to facilitate more effective engagement. In addition, MLPL has established channels to engage proactively with community and interested stakeholders through our community updates, website and social media. We have dedicated community engagement specialists who proactively attend and present at a range of events and respond regularly to inbound queries.

MLPL also established the Consumer Advisory Panel (**CAP**) in April 2022 specifically to provide feedback on the project as we developed our Revenue Proposal. MLPL has held 16 sessions with the CAP covering a wide range of topics including: social licence; tendering and procurement; sustainability; incentive schemes; and pricing.

As noted in the Issues Paper, the feedback from the CAP focused on the following matters:

- MLPL's stakeholder engagement program;
- Procurement strategy and local content;
- Cost allocation;
- Infrastructure Sustainability Rating Scheme; and
- Incentive mechanisms, including the Capital Expenditure Sharing Scheme.

This engagement process has been constructive and informative, and we will continue to work closely with the CAP and other stakeholders during the remainder of the AER's review process.

In addition to summarising MLPL's engagement approach, the Issues Paper includes commentary which indicates that MLPL's engagement on the Revenue Proposal has focused on the CAP rather than other

stakeholders. For the remainder of the review process, the AER therefore suggests that engagement should be extended to other stakeholder groups.³

MLPL acknowledges the AER's comments and reiterates its commitment to continuing to engage with the CAP, stakeholders and the broader community. The Revenue Proposal explains the breadth of that engagement to date, and the wide range of engagement channels that are currently being employed. MLPL intends to build on these existing initiatives and the AER's consultation process to ensure that stakeholders' views are reflected in our revised Revenue Proposal and future revenue proposals to the greatest extent possible. MLPL also intends to work closely with TasNetworks in this process.

3. Stage 2 as a contingent project

The Issues Paper explains that MLPL is proposing to treat Stage 2 as a contingent project with triggers specified in the Revenue Proposal, although the project may already be classified as a contingent project by virtue of its actionable status.

As already noted, AEMO's 2024 ISP concluded that Stage 2 is required but the optimal timing is uncertain. While Project Marinus is currently a single actionable ISP project, it is likely that Stage 1 will soon become a 'committed project'. At that point, Project Marinus will effectively become a staged project both from a transmission planning and revenue-setting perspective. In those circumstances, MLPL considers that AEMO has an important role to play in providing guidance to stakeholders on the optimal timing of Stage 2 through its ISP process.

MLPL's proposal to treat Stage 2 as a contingent project will provide clarity to all stakeholders on how MLPL will determine when to lodge a contingent project application. MLPL is currently engaging with AEMO through its consultation on its draft methodology for the 2026 ISP to ensure that this proposed approach is workable from AEMO's perspective. MLPL intends to work closely with the AER, AEMO and other stakeholders to ensure that the regulatory approach to Stage 2 supports an outcome that is in consumers' best interests.

4. Nominated pass through events

Pass through events are a standard regulatory tool for managing the costs of events that are beyond the TNSP's control. The Issues Paper explains that MLPL is proposing the following nominated pass through events:

- Unavoidable contract variations event;
- Contractor force majeure event;
- Contractor insolvency event; and
- Biodiversity event.

³ Ibid, page 12.

To avoid any confusion, it should be noted that MLPL is also proposing the following additional nominated pass through events:

- Insurance coverage event;
- Terrorism event;
- Natural disaster event; and
- Insurer credit risk event.

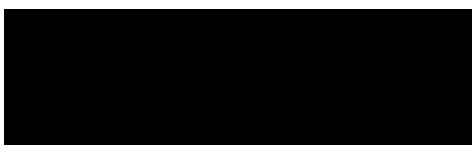
As explained in the Revenue Proposal, all of these nominated pass through events have either been accepted by the AER in recent determinations under the Rules or were accepted by the AER in relation to Transgrid's Waratah Super Battery (**WSB**) project.⁴ While the AER's decision in relation to those pass through events was made under the New South Wales framework in accordance with the Electricity Infrastructure Investment Act 2020, this aspect of the NSW framework is closely aligned with the Rules. MLPL therefore views the AER's rationale for accepting the pass through provisions in relation to the WSB project⁵ to apply equally to Marinus Link.

The remaining two proposed pass through events are 'contractor insolvency' and 'biodiversity costs'. In relation to these events, MLPL has had regard to the Rules requirements and established that these events are warranted to be included as the risk of occurrence is uninsurable and beyond MLPL's control, while the cost consequences may be significant. MLPL also notes that in relation to biodiversity costs, the AER's contingent project decision for HumeLink concluded that these costs were beyond the TNSP's control.

Closing

MLPL looks forward to working with the AER, stakeholders and consumers as it continues to progress the revenue determination for Marinus Link. If you have any queries on this submission, please contact Prajit Parameswar by email [REDACTED] in the first instance.

Yours sincerely,



Collette Burke
Interim Chief Executive Officer

⁴ AER Draft decision, Transgrid Waratah Super Battery (non-contestable) 1 July 2024 to 30 June 2029, September 2023. We have referenced the draft decision because the AER's reasoning on this issue is provided in that document, rather than the AER's final decision.

⁵ Ibid, chapter 12, September 2023. The AER's reasoning relates to the uncertainty and potential cost impact of these events.