SUBMISSION

AER INITIAL DRAFT DECISSION: MARINUS LINK

15 AUGUST 2025

INTRODUCTION

The Energy Users' Association of Australia (EUAA) is the peak body representing Australian commercial and industrial energy users. Our members are the engine room of the Australian economy, producing many of the products that households and business use every day including bricks, glass, steel, aluminium, paper, food and beverages. Combined, our members employ over 1 million Australians, pay billions in energy bills every year and in many cases are exposed to the fluctuations and challenges of international trade.

EUAA members are focussed on making products that meet their own customers' requirements where energy is just one input to the process albeit a critical one. Their expectation is that the energy industry continues to provide energy services that are fit for purpose and consistent with the National Electricity Objectives (NEO) so that our members can continue to provide a fit for purpose product for their customers.

Thank you for the opportunity to make a brief submission to the AER Initial Draft Decision: Marius Link (Initial draft Decision).

The EUAA have been a member of the Marinus Link Consumer Advisory Panel (CAP) for a number of years and would like to commend Marinus Link (and their predecessors Tas Networks) for the engagement process they have undertaken which has been detailed (where they have been able to[1]) and consumer driven to the extent other arrangements allow. We are especially pleased that, at the strong urging of the CAP, Marinus Link delayed their initial proposal to the AER until such time they were able to gain a clearer understanding of Cap-Ex. We now see that the Cap-Ex being presented to the AER for initial assessment[2] is an Association for the Advancement of Cost Engineering (AACE) Class 2 estimate, which we believe should be the benchmark for all future proposals.

ASSESSING MARINUS LINK

It must be recognised that the process being undertaken by the AER and consumers in assessing Marinus Link is unique in a number of ways.

Firstly, while the AER will still play a critical role in determining if costs are prudent and efficient (which is different to assessing net benefits), it is our view that the decision to proceed (or not) is largely a political one and was made well before the AER, or consumers had a chance to fully assess costs, risks and net benefits. While the details of the arrangements between three governments (Federal, Victorian and Tasmania) is opaque, it is clear that all three have agreed to proceed with a cost allocation arrangement that will supersede the usual allocation of costs between jurisdictions as determined by energy flows. It appears this arrangement is in place to shield Tasmanian

[1] Due to the arrangements between the Federal, Victorian and Tasmanian Governments, some limitations have been placed on the detailed arrangements which, unfortunately has made it difficult for the CAP to gain a full understanding on what the costs, risks and net benefits are likely to be.

[2] Although recognising this represents less that 50% of final Cap-Ex, the balance of which is currently assessed as an AACE Class 3 estimate which we assume will be further refined to an AACE Class 2 estimate for final AER approval.

energy users from higher costs than they otherwise would have borne. All of this is not a criticism as it is the role of governments to make such decisions if they believe it to be in the national or state interest. However, we would strongly suggest that a higher degree of transparency is required for energy users in Victoria and Tasmania to feel comfortable that this is the case.

Secondly, the significant impact that concessional finance appears to be making to the project both in scale of funding and cost of capital. From information provided to the Marinus Link CAP, this funding arrangement will see effective costs recovered from consumers to be 55% of the amount had the concessional finance been absent. In this regard we commend the Federal Government for “leaning in” to this issue in an attempt to minimise costs of Marinus Link to all consumers.

Thirdly, at this point less than 50% of total Cap-Ex is being assessed making it virtually impossible to assess net benefits, if they are to be assessed at all.

CAP-EX AND EQUITABLE COST SHARING

Despite the best efforts of governments to minimise the costs to consumers of Marinus Link, the unavoidable fact is that this project has not escaped the significant cost escalation we are witnessing across all major energy infrastructure projects. Initially, two Marinus Cables with a combined transfer capacity of 1,500MW was estimated to cost $3B while this proposal signals that a single cable with transfer capacity of 750MW is estimated to cost $3.8B. Essentially, and despite the significant assistance from governments, we are now getting one cable for the price of two.

Given where Cap-Ex continues to head it will be difficult to see how a second cable is justified, especially if governments don’t provide the substantial financial support they have provided for cable one. Compounding this will be the significant costs associated with the North West Renewable Energy Zone.

It appears that Marinus Cable Two and the North West Renewable Energy Zone are required if Tasmania is to reach its target of 200% renewable energy, a policy that will result in Tasmania being a significant exporter of renewable energy to the mainland. While this is laudable it will not benefit Tasmanian energy users who, under current arrangements, will have to shoulder the entire network infrastructure burden through higher transmission use of system charges. This would be manifestly unfair.

It is our view that connecting generators should bear much of this additional cost given they are the primary beneficiaries of it, allowing them to sell their energy into mainland markets. We suggest these costs could be absorbed into the contract prices they offer. If we are to believe project proponents, the wind resource in the North West of Tasmania is significant so any relatively small costs associated with network cost recovery would ensure them remain highly competitive.

OUR RESPONSE TO THE INITIAL DRAFT DECISSION

- Recognising our previous comments and what we believe to be a unique set of circumstances surrounding this project, we will continue to rely on the AER to assess prudent and efficient investment. We agree that the AER should only be assessing market tested costs (AACE Class 2) and firmly believe this level of certainty and proponent rigor should be the standard in all future assessments.

- We are disappointed that the capital expenditure sharing scheme (CESS) ratio has not be maintained at 30:70 and will move to 5:95 ratio. However, we believe the risk of over-run is reduced due to a more robust Cap-Ex number being presented with significant over-runs (beyond 10%) reverting to the 30:70 ratio.
- We agree with the AER to not accept nominated pass-through events as these are entirely within the control of Marinus Link and should be dealt with via normal contracting methods.
- We agree with the AER to not accept the proposal to include Cable two as a contingent project under clause 6A.8.1 (b). We believe there is significant doubt over the viability of cable two and, if it does proceed should be funded by connecting generators, who will be the primary beneficiaries, not consumers.

The EUAA welcomes further discussions around the issues raised in this submission.

Do not hesitate to be in contact with EUAA Policy Manager Dr Leigh Clemow, should you have any questions.

[redacted]

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