Comments

on the

AER Initial Draft Decision

Marinus Link Stage 1, Part B (Construction costs)

Transmission Determination 2025 -30

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August 2025

Background

These comments have been prepared from my perspective as a member of the Marinus Link Consumer Advisory Panel (CAP). In addition to being a member of the CAP, I am also:

- a member of the BassLink Regulatory Review Group;
- was a member of the TasNetworks Reset Advisory Committee for R24;
- a member of the TasNetworks Consumer Advisory Group;
- a member of the Tasmanian Economic Regulator's Consumer Consultative Committee; and
- a COTA Australia energy advocate.

Membership of these various panels, together with my extensive work experience in public policy, competition policy, regulatory reform, infrastructure planning and provision and contract negotiation and management has given me a broad perspective of those issues which are of critical concern to electricity consumers, not only in Tasmania, but also more broadly across the NEM.

The AER has sought submissions from interested stakeholders on both their initial draft decision of May 2025 and Marinus Link Pty Ltd (MLPL) revised proposal of July 2025 in respect of Marinus Link Stage 1, Part B (Construction costs).

In making these comments I wish to highlight the principles outlined by Professor Eccleston in his related submission on the AER's draft decision. In his comments Professor Eccleston outlined the following principles:

- Benefits principle;
- Equity;
- Political acceptability; and
- Industry policy.

I consider each of these needs to be clearly considered by the AER in coming to its final decision in relation to the MLPL Revised revenue proposal.

This submission can be divided into two distinct sections.

The first considers the specific points outlined at the bottom of page v of the AER draft decision report. The second section of this submission will highlight a number of other issues raised in the MLPL revised revenue proposal and also canvassed within the AER draft decision paper.

Response to the Initial Draft Decision

1. Capex Forecast

I note that MLPL on 29 November MLPL submitted its construction costs proposal for cable 1 of Marinus Link as $3,534 million ($2023). In making these comments in relation to the draft decision I presume that this estimate comprises:

Item	**$ million** ($ 2023)	**%**
Pre-Construction Expenditure incurred prior to 1 July 2025 and not included in the MLPL early works determination	204.8	5.8%
Stage 1, Part A (Early works) approval already determined by the AER	196.5	5.6%
Stage1, Part B (Construction costs) estimates which are the subject of this draft decision - Converter station design and equipment - HVDC cable system	 737.2 895.0	 20.9% 25.3%
Balance of Works, support activities and risk allowance costs (my estimate based on information provided by the AER and MLPL)	1500.8	42.5%
Total	3,534.3	

I also note that, apart from the Balance of Works and associated costs, these costs reflect either actual incurred costs or AACE Class 2 estimates.

In relation to the AER draft decision, I note that the AER accepts the market tested cost estimate of $1,632.2 million ($ 2023) provided by MLPL for the converter station design and equipment and the HVDC cable.

I would support this draft decision subject to the following proviso.

This cost estimate, while being a market tested cost, under-estimates the costs that will be incurred by MLPL in respect to these two elements of the final cost.

In correspondence I received from MLPL on 1 August 2025 I was advised that the expected cost for the first cable has increased to $3,891 million. This represents a 10.1% increase on the total costs outlined above and upon which the AER's draft decision has been based.

I can only presume that the updated cost estimate provided to me by MLPL on 1 August is reflective of increases in costs as indicated in Table 1, page x of the MLPL Revised Revenue proposal Stage 1, Part B (Construction costs) July 2025. This revised proposal indicates that:

- Converter station costs have increased by 4.9% to $773.9 million;
- HVDC cable costs have increased by 2.67% to $ 918.9 million; and
- The Balance of works and associated costs appear to have increased by just under 20% to around $1,800 million, even though the individual components have been redacted.

2. CESS Ratio

I note that the AER draft decision in relation to the CESS ratio is for a 30:70 split in relation to the first 10% of any over or under spend by MLPL. Where any over or under spend by MLPL exceeds 10% the CESS ratio will be based upon a sharing ratio equivalent to the financing benefit MLPL receives.

I support that the AER has rejected the MLPL proposal for a 5:95 CESS ratio.

From information provided to date it is quite clear that Marinus link costs are more likely to increase than decrease and the 30:70 CESS ratio imposes a greater incentive upon MLPL to manage its costs.

What is unclear from the draft decision is what cost will form the basis for the application of the CESS ratio. As detailed above the 10% figure suggested as part of the draft decision has already been exceeded. I would presume therefore that the CESS ratio that will now apply will be determined upon the financing benefit which MLPL receives.

From a consumer perspective, and also as a member of the CAP, I am totally unaware of what the final effective CESS ratio will be and how risk is to be shared between MLPL and electricity consumers for Marinus Link.

Given the cost escalation which has occurred in the short period relating to this draft decision by the AER, I consider that the 10% cap on the CESS ratio is too limited. It has already been exceeded. I would therefore request that the AER give strong consideration in its final decision to increasing this cap to perhaps 25 or 30%. Such an increase would be more reflective of cost changes which need to be managed by MLPL during the remainder of this project.

Already the estimated balance of works and associated costs have increased by 20% and provide an indication of cost increases which may likely be experienced by MLPL during the period 2026 to 2030. Even the Stage 1, Part B (construction costs) which are the subject of this draft decision, and are based upon a market tested estimate, have increased significantly in the short period between the initial application by MLPL and their revised revenue proposal.

I would further urge the AER in its final decision to provide additional information in relation to the effective CESS ratio relating to MLPL. Simply stating that above a certain point the ratio will change from 30:70 to the financing benefit received by MLPL provides consumers with very limited guidance as to how the CESS scheme will apportion risks. In the draft decision the AER has provided indicative examples of how the CESS ratio would apply where the over or under spend is below its indicated cap of 10%.

However, what is missing are some worked examples showing how this 2 part CESS approach would work where the proposed cap is exceeded. Such a worked example could readily be provided based on “best endeavours” estimates for the likely benefit which will be provided to MLPL due to its access to concessional capital.

As a final point, I consider that the AER should apply considerable weight to the fact that the equity partners for MLPL are the Australian, Victorian and Tasmanian governments. **These equity partners, particularly the Australian government, have considerable ability to adjust their returns to equity in MLPL to accommodate the cost risks faced by MLPL and the effective final CESS ratio should be reflective of this.**

3. Pass through events

I note that the draft decision of the AER has been to not accept the MLPL proposed nominated cost pass through events in relation to contractor force majeure, biodiversity, unavoidable contract variations and contractor insolvency. I also note that the draft decision of the AER is to only accept the four standard nominated pass through events, namely insurance coverage event, terrorism event, natural disaster event and insurer credit risk event.

I support this draft decision of the AER.

4. Second Marinus Link Cable

In relation to the proposal by MLPL that the second cable be considered a contingent project I note the draft decision by the AER to not accept this proposal by MLPL.

I support this draft decision of the AER.

Observations on Related Matters

1. North West Transmission Development (NWTD)

The first paragraph of the report on the draft decision states "*The Australian Energy Regulator (AER) exists to ensure energy consumers are better off, now and in the future. Consumers are at the heart of our work, and we focus on ensuring a secure, reliable, and affordable energy future for Australia as it transitions to net zero emissions (the transition*)."

The report then recognises that Marinus Link is a component of a broader project – *Project Marinus*. The other component of *Project Marinus* is the North West Transmission Development (NWTD) being undertaken by TasNetworks. The AEMO 2024 ISP has identified *Project Marinus* as a single actionable project under its optimal development path.

I also note that under the heading "Why Marinus Link", MLPL seem to switch between references to *Project Marinus* and Marinus Link. The end result is that one is never really clear whether or not NWTD is included in the analysis presented by MLPL. Throughout the CAP process I have found the need to frequently seek clarification from MLPL in this regard.

Yet, these two components, Marinus Link and NWTD, are being assessed individually by the AER.

Marinus Link and NWTD are each totally dependent upon each other. The AER's determination in regard to NWTD Stage 1, Early Works Contingent Project clearly recognises the interdependence between Marinus Link and NWTD. In its determination the AER *states "The NWTD is a proposed transmission project involving significant upgrades to the existing high voltage alternating current 220 kV transmission network in north-west Tasmania. These upgrades are to facilitate connection and operation of the Marinus Link high voltage direct current interconnector between Tasmania and Victoria."*

This makes it clear that in the absence of Marinus Link, NWTD would not progress as it is contingent upon Marinus Link. Similarly, without NWTD, Marinus Link would be very restricted in its ability to connect into the Tasmanian transmission network.

As these two projects are interdependent, it seems appropriate that the AER assessment process bring the two projects together. While it may be appropriate to separately assess the costs of these two components of *Project Marinus*, and it may also be appropriate to have separate organisations responsible for construction, in my view, it is not appropriate to consider the benefits that *Project Marinus* provides consumers of electricity separately for each component.

The Tasmanian component of *Project Marinus,* NWTD, has been totally separated from Marinus Link and has become a 100% TasNetworks project. However, at the other end of the undersea link the cable in Victoria between the coastal landing and the connection to the Victorian grid at Hazzelwood has been assessed as an integral part of Marinus Link. The impact of this is that while Tasmanian electricity consumers will have to cover 100% of the final revenue determination for NWTD, Victorian electricity consumers will only bear a proportion of the land-based infrastructure required to connect Marinus Link to the Victorian grid.

This potentially creates equity issues for electricity consumers.

The benefits that *Project Marinus* delivers to the NEM cannot be readily separated into components attributable to Marinus Link and NWTD. As such there is a real risk of double counting benefits across the two components and thereby over-stating the benefits that *Project Marinus* will provide.

This then puts at risk the reason that the AER has outlined above for its existence. Net benefits may become overstated and it becomes unclear to consumers where benefits are being derived from the considerable investment being undertaken under *Project Marinus*.

In conclusion I consider that the AER should consider assessing the revenue needs of Marinus Link and NWTD as a single actionable project.

2. <u>Indicative Impact of Marinus Link on the Transmission Building Blocks of Regulated Retail Electricity Prices in Tasmania</u>

In section 10.3 of its Revised Revenue Proposal Stage 1, Part B (Construction costs) MLPL indicates that the indicative impact of Marinus Link on transmission charges for a

typical residential customer in Tasmania will be $47 per annum. It is not clear how this charge has been determined, nor if this increase in transmission charges includes the regulated revenue for NWTD.

I consider that MLPL and the AER have an obligation to be more explicit in relation to how this cost impact has been assessed and the assumptions underlying this estimated impact.

The most recent determination by the Tasmanian Economic Regulator has proposed a network revenue recovery charge of $276.9 million or around $1,025 per annum per customer on regulated tariffs. The transmission related revenue component of this charge is around 17.27% or just under $50 million per annum. In relation to the revenue to be recovered from households, the information contained in the Regulator's report, together with TasNetworks network tariffs, suggests that around $40.07 million will be recovered from the 240,461 households covered by the regulated domestic tariffs. This amounts to a transmission charge of $166.67 per household.

The 2024-29 AER Determination for TasNetworks transmission charges indicates a RAB of around $1.67 billion, and for 2025/26, a smoothed revenue allowance of $170.1 million. This revenue allowance is comprised of the following building blocks:

Return on Capital	$100.8m
Regulatory Depreciation	$23.1m
OpEx	$43.8m
Revenue Adjustment	$-3.2m
Corporate income tax	$2.7m

Around 23.5% of this regulated revenue has been applied to residential household bills.

MLPL, in their revised revenue proposal indicate that the revenue for Marinus Link will be shared 27.6% to Tasmania and 72.4% to Victoria. Little information has been provided to the CAP on how this sharing arrangement has been determined.

Based on the estimated cost of Marinus Link provided by MLPL in its revised proposal it could be expected that the proportion of the capital applicable to Tasmania will be at least $1,100 million. I do note, however, that the AER have suggested in their draft decision that the opening RAB for Marinus Link by 2030/31 could be as high as $5 billion indicating an opening RAB applicable to Tasmania's share of $1,380 million.

Given this current situation, I consider it is now incumbent on both the AER and MLPL to fully document how, based on a RAB which will likely be between 60% and 80% of the current TasNetworks transmission RAB, the expected impact of Marinus Link on households will be less than 30% of the current transmission charge applied to their bills.

To meet a transmission charge of just $47 per household, as proposed by MLPL, will require the revenue applied to each building block outlined above to be at least 50%

lower than the pro rata regulated transmission revenue currently provided to TasNetworks based on the relative RAB for TasNetworks and Marinus Link.

This estimate provided by MLPL also indicates how important it is that Marinus Link and NWTD now be considered as a joint determination by the AER. Given current cost estimates, and the information provided in this draft decision, NWTD is likely to add a further $1 billion to the TasNetworks RAB, if not more.

The transmission charges related to this aspect of the *Marinus Project* do not appear to be considered anywhere in this analysis.

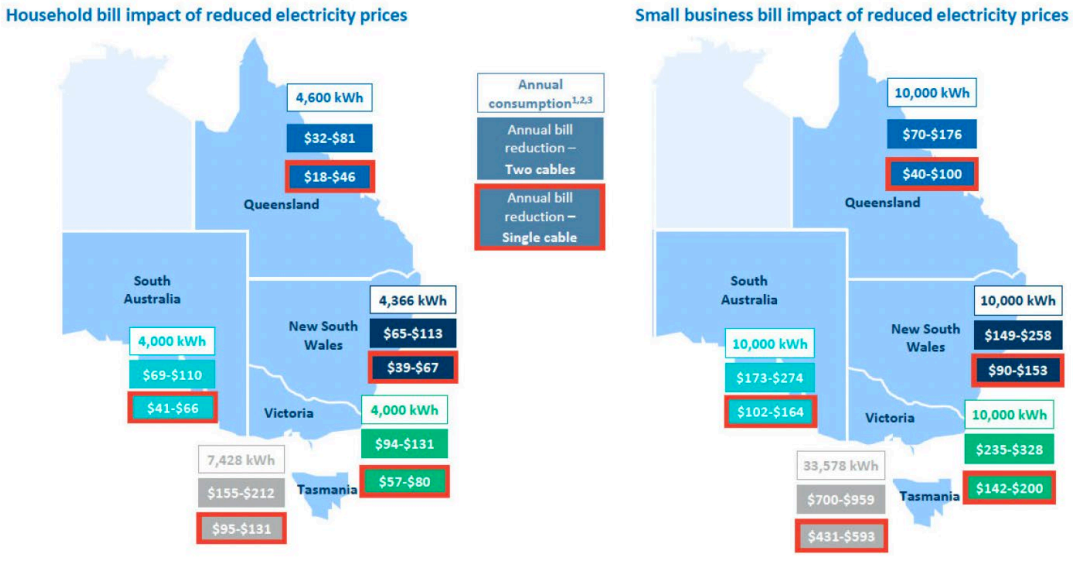
3. Marinus Link Benefits

What are the benefits of Marinus Link?

MLPL assesses the benefits via two methods. These are the estimated Gross Market Benefits provided by EY and the FTI assessment of the impact of Marinus Link on wholesale electricity prices within the NEM. The recently released Whole of State Business Case (WoSBC) for the *Marinus Project* prepared by the Tasmanian Treasury also provides estimates of the benefits of the *Marinus Project*. These include the benefit to Tasmania's GSP, an estimate of the wholesale price impact and the benefits the *Marinus Project* will bring to Hydro Tasmania.

The Marinus Link Revised Revenue Proposal Stage 1, Part B (Construction costs) in section 10.3 provides information on the indicative wholesale price and customer benefits from 1 July 2030.

Figure 2: FTI Consulting's assessment of the wholesale energy price savings from Project Marinus



But what do these numbers really mean in relation to the NEM and how are the wholesale electricity price benefits distributed between the jurisdictions.

Over the period July 2024 to July 2025 the Open Electricity Website indicates that total electricity generation across the NEM was around 215,700 GWh. Open Electricity also provide information on the value of electricity produced by jurisdictions at around $21.5 billion over the period July 2024 to July 2025.

Based on the data contained in the above map, the aggregate wholesale electricity price saving for each jurisdiction can be calculated as shown in the table below. This data indicates that the total saving in wholesale electricity costs across the NEM is estimated to be around $2.6 billion per annum, with just over 60% of that saving being experienced in jurisdictions other than Victoria and Tasmania.

State	Generation (GWh)	Gross Value of Generation ($ million)	Wholesale Price Saving ($/MWh)	Total Saving in Wholesale Electricity Costs ($ million)	% of Wholesale Cost Savings
NSW	76,064	$7,600	$12.14	$923.36	35.68%
Qld	63,952	$6,355	$6.96	$444.88	17.19%
SA	14,990	$1,507	$13.38	$200.49	7.75%
Tasmania	10,760	$1,077	$15.21	$163.69	6.32%
Victoria	49,964	$5,004	$17.13	$855.63	33.06%
Total	**215,730**	**$21,543**		**$2,588.06**	

This level of savings in wholesale electricity prices indicates that a single Marinus Link cable, plus NWTD, will have a payback period of less than two years.

If the *Marinus Project* first cable can deliver this expected reduction in wholesale electricity costs across the NEM, the obvious question to ask, given the information provided by FTI in relation to the second cable, is why delay the second cable's construction as suggested in this draft decision?

In my view the AER need to further assess the estimated wholesale price savings attributed to Marinus Link as provided by FTI. When assessed against the Gross Market Benefit estimates provided by EY, which MLPL have then fed into their own cost benefit analysis, the wholesale price benefits seem inconsistent with those Gross Market Benefits.

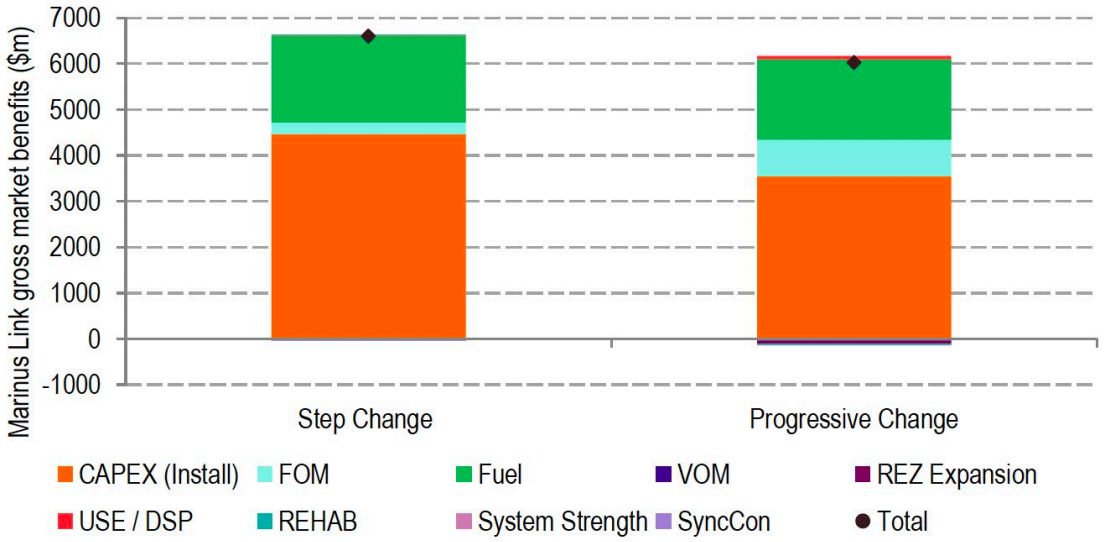
EY, in their July 2025 report for MLPL, provide the following information in relation to Gross Market Benefits.

Table 1: Overview of scenarios with associated forecast gross market benefits of Marinus Link over the Modelling Period discounted to 1 July 2025. All dollar values are presented in $million, real June 2024

Marinus Link size	Marinus Link timing	Step Change	Progressive Change
1,500 MW	2030 & 2034	6,601	6,026
750 MW	2030	5,591	5,002

The predominant driver of these Gross Market Benefits are savings in CapEx costs associated with the installation of renewable generation and savings in fuel costs for mainland generators due to the better wind resource of Tasmania. The figure showing the composition of the Gross Market Benefits below is taken from the EY Report.

Figure 1:Composition of forecast total gross market benefits of Marinus Link stage 1, in 2030 and stage 2, in 2034 over the modelling Period discounted to July 2025. All dollar values are presented in $million, real June 2024



The July 2025 EY report is one of several EY have undertaken for MLPL over the years. In some of the earlier EY studies the distribution of Gross Market Benefits amongst the jurisdictions was also provided. However, in later studies this information has not been provided. In those studies where the distribution of the Gross Market Benefits was provided the allocation between the jurisdictions was not dissimilar to that I have estimated above based on information provided by FTI.

Interestingly, when compared to the Gross Market Benefits estimated by EY in their November 2023 report, the Gross Market Benefits are now substantially higher. For the single cable Step Change scenario there has been a $2 billion (or 60%) increase the Gross Market Benefit. In relation the two cable option the Gross Market Benefit has also increased by just under $2.2 billion or just over 50%. Interestingly the marginal increase in Gross Market Benefits for the second cable is now 40% higher than the estimate provided just 18 months ago, and this 40% increase is off a higher base.

Given the magnitude of the increase in Gross Market Benefits estimated by EY which has occurred in little over 18 months it is critical that the AER provide a highly detailed assessment as to why there has been such a large increase and the factors which have impacted on this increase in Gross Market Benefit.

Unless such information is provided by the AER it will be difficult for consumers to assess whether or not they are gaining the best outcome.

In their revised revenue proposal MLPL have provided information relating to their updated RIT-T. They state "*This RIT-T update was published on 11 July 2025 and*

confirms the earlier conclusion that Project Marinus should proceed as planned, noting that both Stage 1 and Stage 2 provide significant net market benefits, exceeding $3.8 billion in total. As explained in the RIT-T update report, the net benefits have increased compared to the previous RIT-T update, driven partly by the reduction in the technology-specific cost of capital that is applied to transmission networks in accordance with AEMO's draft 2025 IASR."

Again, it is unclear whether the stated Net Market Benefits of $3.8 billion relate to just Marinus Link or the whole of *Project Marinus*.

Unsaid by MLPL in this statement above is that they have removed $534 million of "sunk costs" from their analysis of Net Market Benefits. While these may be "sunk costs" in as much as they reflect expenditure already undertaken by MLPL, they are not "sunk costs" from the perspective of electricity consumers. These costs are being capitalised into the opening RAB for Marinus Link once it becomes operational in the early 2030s. They are costs which electricity consumers will need to pay and which will be deducted from the benefits Marinus Link will provide electricity consumers.

I therefore consider, that while it may fit within the rules for assessing the Net Market Benefits, it would be more appropriate to include these "sunk costs" in this and any further Net Market Benefit assessment MLPL undertakes.

MLPL also state above that the "*the net benefits have increased compared to the previous RIT-T update, driven partly by the reduction in the technology-specific cost of capital that is applied to transmission networks". However,* in their correspondence of 11 July 2025to the AER in relation to their updated RIT-T, MLPL have highlighted that the latest assumptions regarding hydrogen load is likely to have a significant impact on the net market benefit assessment. Regrettably, in the chart provided by EY outlining the Gross Market Benefits no significant benefit is highlighted relating to changed hydrogen load assumptions.

That reference to changing assumptions to the hydrogen load have been left out of the summary of the revised revenue proposal further highlights the need for the AER to undertake a rigorous assessment as to why the Gross Market Benefits have increased to the extent they have and the extent to which the information provided by EY includes the benefits flowing changed hydrogen load assumptions.

The AER should also, perhaps, make an assessment as to whether the development of Marinus Link is responsible for those changes in the hydrogen load assumptions, or whether Marinus Link is an indirect beneficiary of those changed assumptions. If the latter, then I would seriously question the inclusion of those benefits in the Net Market Benefit assessment, or to the extent that Marinus Link is a beneficiary of those changed assumptions consider reducing the opening RAB for Marinus Link once commissioned by the benefit MLPL receives from those changed assumptions.

As stated above the WoSBC also provides some benefit estimation for the *Marinus Project*. The WoSBC indicates that the Tasmanian GSP will increase by between $1.8

billion and $4.4 billion over the first decade from 2025/26. This represents a significant benefit for Tasmania. However, of particular note are the comments the WoSBC makes in respect of transmission prices and wholesale price benefits.

Unlike the MLPL revised revenue proposal, the WoSBC estimates transmission cost impacts for a typical residential customer to be $70. They also find that these increased transmission costs are broadly offset by lower wholesale electricity prices compared to the "No Marinus" case.

This result is broadly in line with the lower band of findings provided by FTI in their report for MLPL. There is, however, a proviso on this finding. The WoSBC further states "*assuming energy prices for Tasmanian customers remain linked to the Victorian market, residential and business customers are modelled to face electricity bills over the next 25 years that are 20 per cent higher, on average, than current bills, in real terms. This is due to rising wholesale electricity prices projected across the NEM under the WoSBC modelling"*.

Clearly then the impact of the *Marinus Project* on the retail cost of electricity in Tasmania is more complex than just considering the wholesale price of electricity and the transmission cost impacts. The WoSBC concludes by stating "*Future Government policy on the Tasmanian regulatory framework and customer rebates, together with decisions of the Tasmanian Economic Regulator, will be critical in determining the final electricity bill outcome for Tasmanian customers"*.

The WoSBC also estimates the impact of the Marinus Project on the Tasmania's key energy government business enterprises. Of particular note the WoSBC states "*Hydro Tasmania has significant opportunities for its existing generation assets with additional interconnection. Consequently, Hydro's profits before tax are modelled to broadly double compared to "No Marinus". This reflects the high value of flexible, dispatchable hydro generation in the transition of the NEM from coal to renewables and expectations that further interconnection with Victoria will provide Hydro Tasmania with significantly enhanced opportunities to realise the market value of its existing assets."*

So what is the benefit of Marinus? And how is it best determined? And where are the benefits realised? And do the benefits flowing to one section of the market, such as Hydro Tasmania, offset the benefits available to other sectors via lower wholesale prices or reduced costs of production?

Clearly with an interconnector such as the *Marinus Project* the analysis which currently forms the basis for transmission pricing and the sharing of the proposed regulated revenue has the potential to fall short. Given this observation, based on the widely varying information outlined above, I consider there is a need for the AER to assess which benefit categories that have been identified here are most relevant to the assessment of a project with the complexity of the *Marinus Project*.

At present there is a virtual smorgasbord of benefit estimates which can be cherry picked depending upon the case one wishes to make and who may be making that case.

A final point I would make in relation to the benefits identified by MLPL is the reliability attached to these benefit estimates. I note, that in respect of the costs which MLPL is seeking to have assessed by the AER in reaching its determination, an actual cost or AACE Class 2 estimate has been sought. As such electricity consumers can be reasonably certain of the transmission cost impact on their bills.

However, when it comes to benefit estimation no such reliability estimate has been provided or indeed sought. There is also no guarantee provided that the estimate will be achieved and no risk sharing arrangement in respect of those benefit estimates.

As shown above the benefit estimates for Marinus Link are highly variable and are highly dependent upon the underlying assumptions. Also, from the MLPL perspective, once the regulated revenue has been determined MLPL receive a virtually guaranteed return on their investment.

However, this is not the case for electricity consumers. While the cost impact is certain, the benefit impact is highly uncertain, and past experience would indicate the benefits identified above are unlikely to be fully achieved.

I would therefore propose that the AER give consideration to how the risk of benefits not being achieved can be better considered in the determination process. This may include either developing a risk sharing framework similar to the CESS or implementing a direct government subsidy where realised benefits are lower than estimated for the purpose of the RIT-T.

4. Marinus Link Cost Sharing

The final area I wish to comment on is in relation to the decision the AER may make in relation to cost sharing.

Under the present cost sharing model for the *Marinus Project* Tasmanian electricity consumers will be contributing around 40% of the final regulated revenue for the *Marinus Project*. This figure is the result of Tasmanian consumers being required to fund 100% of the NWTD plus 27.6% of Marinus Link. As I have shown above, and as has been confirmed in earlier EY reports, Tasmania receives only 6% of the gross benefits from Marinus Link.

In effect Tasmanian electricity consumers will be contributing around 7 times the benefit they receive to the *Marinus Project*.

I consider this to be grossly inequitable.

While the pricing model for transmission networks may have been appropriate when originally developed and applied to networks which did not go across jurisdictional borders, questions must be raised as to whether that framework remains appropriate for interconnectors such as the *Marinus Project* which deliver the majority of its benefits to jurisdictions other than the two connected jurisdictions.

I would propose, that given the benefits which apply more widely to the NEM, that the cost sharing for the *Marinus Project* be split three ways. I would propose that the electricity consumers in each connected jurisdiction contribute only their benefit share of the identified gross benefits flowing from the project, however that may be determined. The remaining costs should then be carried by the Commonwealth government.

I consider that there are two underlying reasons for the Commonwealth contributing to the Marinus Project beyond any assistance they currently provide by way of concessional finance or direct grants to a jurisdiction.

Firstly, the Commonwealth are a 49% shareholder in MLPL and will benefit from the returns that the regulated revenue stream will provide to the owners of MLPL. And secondly, the Marinus Project is an essential element of the NEM and responds to Commonwealth policy decisions relating to the development of renewable energy in Australia. If those who are developing and implementing policy do not face the potential and actual costs of that policy then there is a considerable risk that the best policy direction is not adopted.

Interconnection will become an integral part of the NEM as we progress towards the policy outcomes sought by the Commonwealth. Having the Commonwealth contribute to the costs over and above the direct benefit share of the connected jurisdictions will bring appropriate rigour into the regulatory decision making process. Ever increasing the costs electricity consumers bear as the transmission build out occurs over the coming period should no longer be the way forward.

In conclusion, I consider that the maximum cost share of which is carried by either Tasmania or Victoria in response to the Marinus Project should be limited to the benefit share received by that jurisdiction. In the case of the Marinus Project this would result in Tasmanian electricity consumers contributing 6.32% of the regulated revenue stream and Victorian consumers 33.06% based upon the wholesale price benefits FTI have indicated will apply across the NEM. The balance of the regulated revenue stream should come from the Commonwealth government.