MARINUS LINK

Revised Revenue Proposal Stage 1– Part B (Construction costs)

For submission to the Australian Energy Regulator

July 2025

Responsibilities

This document is the responsibility of the Marinus Link Team, Marinus Link Pty Ltd, ABN 47 630 194 562 (hereafter referred to as MLPL).

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MARINUS LINK

CONTENTS

Executive Summary

Marinus Link is part of a larger project, which is referred to as Project Marinus, which will provide 1500 MW of new interconnection capacity between Tasmania and Victoria to be delivered in two 750 MW stages. Project Marinus will be developed and owned by different entities:

- Marinus Link will be owned and operated by Marinus Link Pty Ltd (**MLPL**); and
- The North West Transmission Development (**NWTD**) component of Project Marinus will be owned and operated by TasNetworks.

The cable will run approximately 255km undersea from North West Tasmania to Waratah Bay in Victoria, and a further approximately 90km underground to the Latrobe Valley. Converter stations at each end will convert the electricity from high voltage direct current (**HVDC**) to high voltage alternating current (**HVAC**), for use in the Tasmanian and Victorian transmission networks. The first stage is expected to be commissioned in 2030, while the second stage is not expected to be required before 2034. The timing of the second stage will be kept under review, as explained in further detail shortly.

Competitive tenders have been completed and contracts executed for two major elements for the first stage of the project, being the design and manufacture of the converter station equipment and the manufacture and installation of land and submarine cables. A third package of work – referred to as Balance of Works – has progressed through the competitive tender process and detailed price estimates have now been provided by the two shortlisted respondents, with assurance being provided by independent experts.

This revised Revenue Proposal Stage 1 – Part B (Construction costs) presents MLPL's construction costs for the first stage of Marinus Link, covering the period 1 July 2025 to 30 June 2030. This revised Revenue Proposal follows the AER's Initial Draft Decision, which was published on 16 May 2025, in which the AER:

- Approved MLPL's forecast capital expenditure for two works packages, cables and converter station equipment, which have been subject to competitive tender and comprise approximately 46% of the total construction costs;
- Explained the AER's position on other aspects of MLPL's Revenue Proposal, including MLPL's proposals in relation to the incentive schemes and pass through arrangements; and
- Confirmed that the AER's supplementary Draft Decision, which will be published by 10 October 2025, will assess the remaining capital expenditure forecasts comprising the Balance of Works tender, risk allowance and MLPL's support activities.

The vast majority of total forecast expenditure presented in this revised Revenue Proposal has been subject to competitive tender, which should provide confidence to all stakeholders that we have taken appropriate steps to minimise the costs of delivering Marinus Link. The design of the competitive tender processes has been focused on producing the best outcome for customers in terms of price and service by:

- Establishing works packages that encourage participation in each tender process and maximise competitive tension between prospective service providers; and
- Providing extensive information to tenderers so that risks can be identified, allocated, mitigated and priced efficiently.

MLPL welcomes the AER's positive assessment in its Initial Draft Decision that MLPL conducted a best practice tender process conducted for cables and converter station equipment:[1]

> "The government, AER and consumer representatives [observers during the tender process] each had significant experience in conducting high value public tender processes. To maximise compliance with the expectations of both governments and the AER, the Marinus evaluation and review teams regularly sought feedback from the observers. Each of the observers was satisfied that the process was conducted to a high standard, sustained competitive tension, and was consistent with industry norms and with government procurement requirements."

MLPL is confident that it has adopted a similarly robust process in relation to the Balance of Works tender, which will be assessed by the AER in its supplementary Draft Decision. MLPL is also submitting its updated costs for the support activities and the risk allowance, which have been refined in light of the Balance of Works tender process and the appointment of MLPL's Integrated Delivery Partner, which will assist in managing the delivery of the project and minimising the risk of cost overruns.

In preparing the expenditure forecasts in this revised Revenue Proposal, we have had regard to the Rules requirements; the AER's Better Resets Handbook[2]; and the AER's expenditure forecast assessment guidelines for electricity transmission.[3] In addition, MLPL's Board has conducted an extensive review of management's forecasts, including through the engagement of external advisors, to ensure that the bottom-up forecasting approach adopted by management has been combined with a 'top-down' discipline to produce forecasts that are prudent and efficient. MLPL has also engaged Aurecon Advisory to conduct an independent assessment of the forecast expenditure, which includes a consideration of benchmarking analysis, and is

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1 AER, Initial Draft Decision - Marinus Link Stage 1, Part B (Construction costs), Transmission Determination 2025-30, May 2025, page 15.

2 AER, Better Resets Handbook Towards Consumer Centric Network Proposals, July 2024.

3 AER, Expenditure Forecast Assessment Guideline for Electricity Transmission, October 2024.

published as part of this revised Revenue Proposal. Aurecon Advisory's findings support the prudency and efficiency of MLPL's forecast capital expenditure.

Why Marinus Link?

As coal-fired generation retires, Australia needs access to affordable, 'on-demand' electricity and the ability to store energy for long periods. Project Marinus has a key role to play in providing this capability at the lowest cost to electricity customers by leveraging Tasmania's natural advantage in wind resources and energy storage. As such, Project Marinus is expected to reduce the total net costs of meeting customers' future energy needs across the National Electricity Market (**NEM**), so customers will be substantially better off with Project Marinus.[4]

The case for Project Marinus was initially confirmed by AEMO in its 2020 Integrated System Plan (**ISP**), published in July 2020, subject to meeting a number of pre-conditions or 'decision rules'.[5] AEMO reconfirmed the need for Marinus Link in its 2022 ISP, concluding that the optimal timing for the first stage is 2029-30 under the Step Change scenario.[6] AEMO's latest 2024 ISP continues to classify Project Marinus as an actionable ISP project, with the case strengthened by AEMO's decision to remove the previous pre-conditions. AEMO's analysis indicated that the optimal timing for the second stage varies depending on which of its three scenarios is assumed to eventuate.

AEMO is currently preparing its draft 2026 ISP, which will be published in December 2025. While MLPL expects AEMO to confirm that the optimal timing of the second stage cannot be settled at this time, we expect the first stage of Marinus Link to be required as soon as practicable. This observation is supported by MLPL's application of the Regulatory Investment Test for Transmission (**RIT-T**), which is discussed next.

Regulatory Investment Test for Transmission

The RIT-T is a cost-benefit analysis, which is overseen by the Australian Energy Regulator (**AER**). The RIT-T assesses the economic and technical impact of, and preferred timing for, all major network investments in the NEM. The RIT-T process ensures regulated transmission investment decisions are in the long term interests of customers.

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4 In April 2024, MLPL estimated that the net economic benefits from Marinus Link were approximately $1.74 billion. https://www.marinuslink.com.au/wp-content/uploads/2024/04/AER-letter_RIT-T-update_16-April-2024.pdf

5 AEMO, 2020 Integrated System Plan (ISP), July 2020 page 15.

6 AEMO, 2022 (ISP), June 2022, page 73. AEMO's references to Marinus Link are references to Project Marinus. AEMO removed the decision rules, which related to the Tasmanian Renewable Energy Target (TRET) and cost allocation, noting that these are no longer required because TRET was legislated in November 2020 and cost allocation risks are instead recognised as a key project risk.

The National Electricity Rules (**Rules**) require the RIT-T to be applied prior to the commencement of project construction. The Rules also include provisions that require the RIT-T to be reapplied if there has been a material change in circumstances which, in the reasonable opinion of the RIT-T proponent, means that the preferred option identified in the RIT-T is no longer preferred.

Following the conclusion of the RIT-T for Project Marinus in June 2021, the electricity sector in Australia has continued to experience unprecedented change as we transition to a net zero economy. This transition includes the accelerated closure of coal plants and a growing need for renewable generation and energy storage projects. Internationally, the emergence of an inflationary environment and concerns regarding energy security have increased the costs of delivering major transmission projects.

Given the extent of these changes, in April 2024 MLPL and TasNetworks proactively assessed whether the RIT-T for Project Marinus should be reapplied. To assist with this task, Ernst & Young was engaged to undertake market modelling using the AEMO's 2023 Inputs, Assumptions and Scenarios Report (**IASR**). Our RIT-T update report was published in April 2024. That report concluded that Project Marinus should continue to proceed as planned, as the preferred option remained unchanged.[7]

To provide stakeholders with confidence that Project Marinus will maximise net market benefits, MLPL and TasNetworks have further updated the RIT-T analysis to take account of the latest project cost estimates and AEMO's draft 2025 IASR, which was published on 11 December 2024.[8] 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.

MLPL and TasNetworks have also requested that AEMO completes the feedback loop to confirm that Project Marinus remains on AEMO's optimal development path. MLPL expects to receive confirmation around mid-September 2025, which will provide further comfort that Project Marinus should proceed as planned. For the purpose of this revised Revenue Proposal, which relates to Stage 1 of Marinus Link and the enabling works for Stage 2, the RIT-T analysis provides compelling evidence that this stage of the project should proceed as planned.

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7 https://marinuslink.com.au/wp-content/uploads/2025/07/Summary-RIT-T-update-report-July-2025-1.pdf

8 The final 2025 IASR is expected to be published in July 2025. MLPL does not expect the final IASR to affect the conclusions in the RIT-T update.

Consumer and stakeholder engagement

The development of this revised Revenue Proposal, and our earlier Revenue Proposal, have been supported by extensive engagement with electricity consumers and other stakeholders. Following the submission of our Revenue Proposal in November 2024, the AER published an Issues paper in March 2025 and held a public forum on 3 April 2025 to provide stakeholders with an opportunity to provide feedback on MLPL's Revenue Proposal. At the AER's public forum, MLPL reiterated its commitment to stakeholder engagement.

The AER received 16 submissions in response to its Issues Paper, with stakeholders providing a range of views on several issues. In preparing this revised Revenue Proposal, MLPL has considered these submissions and engaged further with stakeholders. In the remainder of this section, we explain our approach to stakeholder engagement, including the further engagement undertaken since the AER's publication of its Initial Draft Decision.

The Consumer Advisory Panel (**CAP**) has been a key forum for consumer engagement on MLPL's Revenue Proposals. The CAP comprises members that represent different categories of energy consumers across a broad geographical base, with a particular focus on Victoria and Tasmania. There are currently eight representatives on the panel intended to broadly represent electricity consumers across the NEM. The CAP's purpose is to:

- Provide consumers with a genuine opportunity to participate in the development of MLPL's Revenue Proposals, especially on those elements where consumer feedback has the greatest impact;
- Provide a forum for participants to raise questions and concerns on behalf of the consumers they represent; and
- Enable MLPL to ensure that consumers' views and preferences are reflected in its Revenue Proposals.

Engagement with consumers began in mid-2021 through online briefings, which aimed to educate a broad cross-section of consumer representatives about the project and the revenue-setting process and understand their capacity to participate in a CAP. This culminated in a workshop with consumer representatives which formed the basis of Marinus Link's Consumer Engagement Plan.

We have continued to engage with the CAP throughout the early works phase of the project, in relation to project milestones; emerging issues and challenges; and matters relating to economic regulation and pricing. The CAP has also been involved in the procurement process through the appointment of an independent observer to provide advice to the CAP on MLPL's procurement process. We have continued to work closely with the CAP on a range of matters relevant to Marinus Link, and we are grateful for the CAP's input, which is reflected in this revised Revenue Proposal.

In addition to our engagement with the CAP, we have engaged more broadly with consumers and stakeholders, including through the updates to the RIT-T and consumer benefits modelling.[9] Consumer engagement has been on-going since project conception:

- Project Specification Consultation Report – 2018
- Initial Feasibility Report – 2019
- Extensive and regular community engagement and attendance at community events in both North-West Tasmania and along the Gippsland alignment
- Landholder Engagement
- Gippsland Stakeholder Liaison Group (GSLG)
- Extensive digital library resources available to the public

We have also worked closely with TasNetworks to ensure that issues relating to Project Marinus could be canvassed in a way that was most helpful to consumers and stakeholders.

Since the publication of the AER's Initial Draft Decision, MLPL has participated in the AER's pre-determination conference to share its proposed response on key issues and invite feedback from broader stakeholders. MLPL has also held two workshops with the CAP to discuss the key issues arising and seek their feedback. MLPL has considered this feedback in preparing this revised Revenue Proposal.

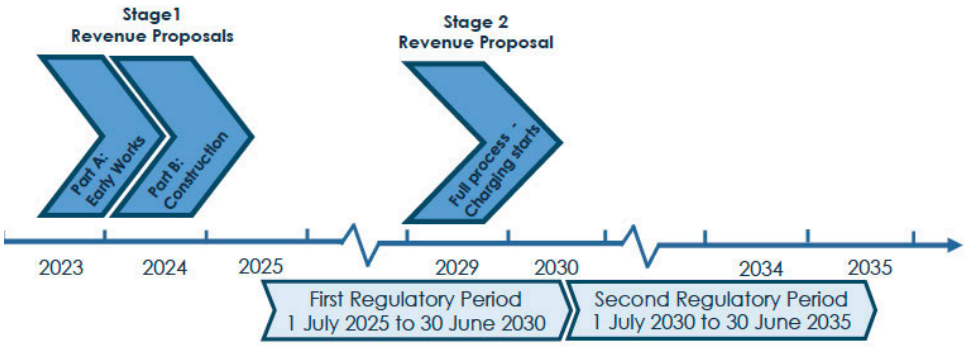
MLPL looks forward to continuing to work with the CAP, our customers and stakeholders as the AER's revenue determination process proceeds to the supplementary Draft Decision and Final Decision, which is expected in December 2025. MLPL also notes that our commitment to stakeholder and community engagement remains on-going as we continue to build and maintain social license for Project Marinus.

Regulatory process and timelines

Figure 1 below shows the timelines for the Stage 1 and Stage 2 revenue determinations. The Stage 1 determination comprises Part A (Early works) and Part B (Construction costs). Figure 1 also shows the proposed duration of the first and second regulatory periods, the latter being indicative only as the AER is not required to determine the duration of the second regulatory period as part of the current process.

[9] https://www.marinuslink.com.au/rit-t-process/

Figure 1: MLPL's regulatory period and revenue determination timelines



The AER's revenue setting process for MLPL differs from the standard regulatory approach, as MLPL is a new transmission company, referred to as an 'Intending TNSP', that is not currently subject to regulation under Chapter 6A of the Rules. As previously explained in our Revenue Proposal, the scope of the AER's determination process is much narrower compared to an existing TNSP because services from Marinus Link will not commence until the second regulatory period. For that reason:

- MLPL will not be recovering any revenue from customers and, therefore, transmission prices for Marinus Link will not be set for the first regulatory period;
- This revised Revenue Proposal does not include any operating expenditure or depreciation allowance, as the assets will not be commissioned during the first regulatory period; and
- The AER's incentive schemes that ordinarily apply to encourage operating expenditure efficiencies and service performance improvements cannot be applied during the first regulatory period, as services will not commence until the second regulatory period.

Forecast capital expenditure

In preparing our forecast expenditure for this revised Revenue Proposal, we have adopted the following expenditure categories, which are unchanged from those adopted in our earlier Revenue Proposal:

- **HVDC cable system** – this expenditure comprises the competitively tendered costs for the manufacture and installation of the submarine cables, land cables and landfall horizontal direct drilling (**HDD**). The contract for the provision of this scope of work has been awarded to Prysmian Powerlink, and our forecasts reflect the contractual terms and conditions that were settled on 1 August 2024.
- **Converter station equipment** – this expenditure comprises the competitively tendered costs for the converter stations, including HVDC equipment and design. The contract for the provision of this scope

of work has been awarded to Hitachi Energy, and our forecasts reflect the contractual terms and conditions that were settled on 1 May 2024.

- **Balance of Works** – this expenditure relates to:

  – detailed design, construction and installation of the balance of plant forming part of the converter stations, being the main converter interface transformers and the main converter valves, including supports; and

  – the land cable civil works (including trenching works, HDD works and joint bays) and access roads.

  As already noted, the competitive tender process for the Balance of Works has been recently progressed through the Development Phase with two shortlisted bidders. This process has resulted in a comprehensive assessment of the project scope and risks, with the resulting expenditure forecasts verified by independent experts.

- **Support activities** –these support activities are essential to the timely and efficient delivery of Marinus Link. These support activities will be provided by a mix of external service providers and in-house resources, consistent with the approach adopted in relation to 'early works'. The expenditure relates to landholder and community engagement programs; land and easement acquisition and management; environmental impact assessment and management; technical designs and specifications; procurement strategy and execution; program and project management; corporate costs and support; and insurance. As indicated in our Revenue Proposal, MLPL has now engaged an Integrated Delivery Partner (**IDP**) which provides the best model to ensure that the project is delivered prudently and efficiently.

- **Risk allowance –** this expenditure allowance has been estimated in accordance with the AER's guidance to account for the asymmetric risks that are beyond MLPL's control and cannot be passed onto our contractors or insurers.[10] The risk allowance has been updated since the publication of our Revenue Proposal to reflect the outcomes from the Development Phase of the Balance of Works tender and our engagement of the IDP.

[10] AER, Regulation of actionable ISP projects, Guidance Note, March 2021, section 2.6.

Consistent with our approach in our Revenue Proposal, MLPL's updated expenditure forecasts are supported by independent expert opinions and reviews. Each of the following reports have assisted MLPL in preparing forecasts that are prudent and efficient in accordance with the Rules requirements:

- An independent expert report prepared by Lockton, which addresses MLPL's insurance costs (Attachment 5);
- An independent expert report prepared by Chatham Financial on the principles and strategy that should guide MLPL's approach to hedging foreign exchange and commodity market risk (Attachment 6);
- An independent report on the risk allowance prepared by external consultants, E3 advisory, in accordance with the AER's guidance note[11] (Attachment 7);
- An independent report from Oxford Economics on the forecast escalation rates for MLPL's labour and the price indices that have been included in the executed contracts for converter station equipment and HVDC cable systems (Attachment 8); and
- An independent expert report from Aurecon Advisory that assesses the reasonableness of our forecasting methodology and resulting forecasts (Attachment 9). Aurecon Advisory's assessment supports MLPL's view that the forecast expenditure presented in this revised Revenue Proposal is prudent and efficient.

As already noted, MLPL's executive team and Board have conducted an extensive review of management's forecasts, which applies a 'top-down' discipline to the bottom-up forecasts prepared by management.

Table 1 below shows the forecast capital expenditure to the end of this regulatory period, which covers the costs of constructing the first stage of Marinus Link and undertaking the necessary works in readiness for the second stage.

[11] AER, Regulation of actionable ISP projects, Guidance Note, March 2021, section 2.6.

Table 1: Proposed construction expenditure ($m real 2023)[12]

Category	Pre-period[13]	2025-26	2026-27	2027-28	2028-29	2029-30	Total
Converter Station Design and Equipment Supply*	99.7	104.2	338.9	95.6	79.5	55.3	**773.2**
HVDC Cable System – Submarine and Land Cables*	51.6	93.7	118.2	134.3	370.8	150.4	**918.9**
Balance of Works*	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Support activities*	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Risk Allowance*	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total expenditure	**151.3**	**465.2**	**1,040.2**	**839.8**	**691.0**	**337.4**	**3,524.9**

* This cost information is commercially sensitive and has been redacted for the purposes of this revised Revenue Proposal.

MLPL's support activities for the construction phase of the project are assumed to commence on 1 July 2025, i.e., shortly after Final Investment Decision (**FID**), which was made on 31 May 2025. As explained in our Revenue Proposal, this definition is consistent with the approach adopted in MLPL's Revenue Proposal Stage 1 – Part A (Early works), in which FID delineated between 'early works' and 'construction' expenditure, i.e., expenditure pre- and post-FID, respectively.

Capital Expenditure Sharing Scheme

The Capital Expenditure Sharing Scheme (**CESS**) is an incentive scheme that applies to capital expenditure that is intended to encourage TNSPs to achieve efficiency savings. In MLPL's Revenue Proposal, we explained why the default incentive rate of 70/30, which means that the TNSP retains 30% of any overspend or underspend compared to the AER's capital expenditure allowance should be reduced to a 5% incentive rate for MLPL, i.e., 95/5 sharing ratio compared to the AER's default rate of 70/30.

The AER's Initial Draft Decision did not accept MLPL's proposal, commenting that it would not provide a reasonable allocation of risk between MLPL and customers and would not provide sufficient incentives on MLPL to minimise capital expenditure. Instead, the AER's Initial Draft Decision adopts an approach aligned

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12 The expenditure forecasts exclude final milestone payments and commissioning costs, which will occur during the financial year commencing 1 July 2030. The milestone payments and commissioning costs are estimated to be $120 million.

13 These costs include pre-construction expenditure incurred prior to 1 July 2025, which was explicitly excluded from 'early works' in MLPL's Revenue Proposal Stage 1 – Part A (Early works).

with its decision for Transgrid's HumeLink project, where 70/30 sharing applies to an overspend amount up to 10% of the total capital expenditure, and a sharing ratio of approximately 91/9 applies thereafter.

Following the Initial Draft Decision, MLPL revisited the design of the CESS with the CAP to obtain their feedback on the AER's current position. In light of that feedback, MLPL decided to engage Jeff Balchin from Incenta Economic Consulting to provide an independent expert report on how the CESS should apply to MLPL during the construction phase of the project, having specific regard to the long term interests of consumers. Jeff Balchin has more than 30 years' experience in economic regulation working for regulators and regulated companies principally in Australia and New Zealand, having contributed extensive to the design of the current Rules in 2006.

In his report, Jeff Balchin has recommended that the AER's Initial Draft Decision should be modified so that a 90/10 sharing rate applies symmetrically to overspends or underspends up to 10% of the capital expenditure allowance, with an incentive rate of zero thereafter. For overspends above 10%, the AER's ex post review should be relied upon to ensure that MLPL continues to face a powerful incentive to incur capital expenditure efficiently, noting that actual expenditure which the AER subsequently assesses as not being prudent and efficient will be excluded from MLPL's regulatory asset base and not recovered from consumers. Jeff Balchin has also proposed an alternative solution in the event that the AER does not accept the proposed demarcation between the operation of the CESS and ex post reviews. The proposed alternative is that a lower incentive rate be applied to all levels of overspend, being the 5 per cent rate as originally proposed by MLPL.

Jeff Balchin's preferred solution reflects a position somewhere between MLPL's original proposal and the AER's Initial Draft Decision. In his report, he explains that the purpose of the CESS, as specified in the Rules, is to provide each TNSP with an incentive to improve its cost efficiency and to provide bonuses or penalties which are commensurate with its efficiency performance. As such, the CESS is not intended to be a risk sharing mechanism. The design of the scheme should therefore focus on the opportunities for a TNSP to make efficiency savings and the level of financial reward and penalty that is required to bring about those improvements on behalf of consumers. Jeff Balchin explains that setting a higher incentive rate than necessary would be contrary to the interests of consumers, as it would lead to higher costs or reduced levels of transmission investment.

In this revised Revenue Proposal, MLPL has adopted Jeff Balchin's recommendations which respond constructively to the issues raised by the AER in its Initial Draft Decision. In particular, the report carefully considers MLPL's circumstances during the construction phase of the project in proposing a CESS arrangement that will promote better outcomes for consumers. Jeff Balchin's report is provided as Attachment 10 to this revised Revenue Proposal.

Nominated cost pass through events

Cost pass through provisions ensure that TNSPs are only able to recover the efficient and prudent costs arising from a specified event, if that event occurs during the regulatory period. In the absence of a cost pass through event, TNSPs would need to be compensated for the risk of that event occurring. As these events and their cost impact are uncertain, the total costs to customers are minimised if cost pass through provisions are adopted.

In its Initial Draft Decision, the AER accepted four of the eight nominated cost pass through events proposed by MLPL, but did not accept the following four:

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

In relation to the Contractor force majeure event and Biodiversity event, the AER considered that these risks are already covered by other cost pass through events and, therefore, are unnecessary. For the Unavoidable contract variation event and Contractor insolvency event, the AER commented that the former has not been defined appropriately, and the latter is a risk that is largely within MLPL's control.

MLPL consulted the CAP and other stakeholders in relation to the inclusion of these pass through events. While there were a range of views expressed, MLPL's position is that it is preferable to include these events rather than a risk allowance in our capital expenditure forecasts. In this revised Revenue Proposal, we have addressed the issues raised by the AER and resubmitted updated nominated cost pass through events for the AER's consideration.

Contingent project provisions

MLPL's Revenue Proposal set out contingent project arrangements that would rely on AEMO to determine the optimal timing of 'early works' for the Stage 2 of Project Marinus through its 2026 or subsequent ISP. MLPL explained that this approach would provide stakeholders with confidence that a decision to progress the second stage would be supported by AEMO in its role as national transmission planner.

The AER's Initial Draft Decision did not accept MLPL's proposed approach, which it regards it as unnecessary as Project Marinus is already classified as a contingent project by virtue of its status as an actionable ISP project. MLPL accepts the AER's Initial Draft Decision in relation to this issue and is no longer proposing a specific contingent project trigger event in relation to the Stage 2 of Project Marinus.

Indicative revenues and prices, and concessional finance

Table 2 shows the return on capital for the 2025-30 regulatory period as MLPL's 'notional maximum allowed revenue'. This description reflects the fact that a TNSP would usually be able to recover the return on capital prior to project commissioning. For MLPL, however, this revenue will not be recoverable and will be rolled into the regulatory asset base (**RAB**) for recovery once the project is commissioned. MLPL also expects to obtain concessional finance, which means that a reduced amount of revenue will be recovered from customers. The concessional finance arrangements have not yet been finalised.

Table 2: Notional maximum allowed revenue 1 July 2025 to 30 June 2030 ($ nominal)

	2025-26	2026-27	2027-28	2028-29	2029-30
Notional maximum allowed revenue $m - non-concessional	36.1	85.6	156.2	225.7	287.0

The process for implementing a concessional finance agreement and passing the benefits onto customers through lower transmission revenues is set out in the Rules[14], following a rule change introduced by the AEMC in March 2024.[15] In broad terms, the implementation steps are as follows:

- A copy of the concessional finance agreement must be provided to the AER within 40 business days of the agreement being entered into;
- Within 40 business days of the agreement being provided to the AER, the AER must make a concessional finance adjustment to MLPL's maximum allowed revenue in accordance with the terms of that agreement (unless the adjustment is conditional on one or more events); and
- If the amount of the concessional benefit varies each year, MLPL is required to notify the AER of the calculation prior to the start of each regulatory year with sufficient time to allow the adjustment to be implemented.

In MLPL's case, we are continuing to work through the details of the concessional arrangements with the Clean Energy Finance Corporation (**CEFC**) and a concessional finance agreement has not been entered into. For that reason, the regulatory process outlined above has not commenced and the amount of the concessional benefit presented in this revised Revenue Proposal is indicative only and may be subject to change.

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[14] Clause 6A.3.3.

[15] AEMC, National Electricity Amendment (Sharing concessional finance benefits with consumers) Rule 2024 No. 7.

As MLPL will not recover any revenue from customers during the first regulatory control period, the impact of the concessional benefit will not be apparent until 2030-31. Nevertheless, we recognise that customers and stakeholders want to understand the indicative revenues and network charges in Tasmania and Victoria that would arise once Marinus Link is commissioned. Table 3 provides that information, noting that it is indicative only.

Table 3: Indicative revenues from 2030 onwards ($m real 2023)[16]

Category	2030-31	2031-32	2032-33	2033-34	2034-35
Non-concessional revenue	297.9	302.2	306.5	310.9	315.4
Concessional revenue	171.9	163.2	164.1	171.3	177.6

With the assistance of TasNetworks and AEMO, who are responsible for transmission pricing in Tasmania and Victoria respectively, our Revenue Proposal provided an indicative assessment of how MLPL's concessional 2031-32 MAR[17] would impact transmission charges for residential and small business electricity customers in Tasmania and Victoria, compared to today's transmission charges.[18] In the Revenue Proposal, we explained that the indicative impact would be[19]:

- An increase of approximately $47 in transmission charges for a typical residential customer in Tasmania; and
- An increase of approximately $20 in transmission charges for a typical residential customer in Victoria.

Our Revenue Proposal also included an estimate of the expected benefits that Stage 1 of Project Marinus would provide in terms of savings in the wholesale energy portion of customers' power bills, as estimated by FTI Consulting. Taking account of the expected costs of the North West Transmission Developments, these benefits indicated average net savings to typical residential customers in both Victoria and Tasmania in the

16 This revenue estimate includes an estimate of the consumer benefits from the concessional finance arrangements (which are not yet settled), which is expected to reduce MLPL's revenue requirements.

17 The 2031-32 MAR has been used because all construction expenditure is forecast to have been incurred prior to the start of this year and Marinus Link is expected to be operational.

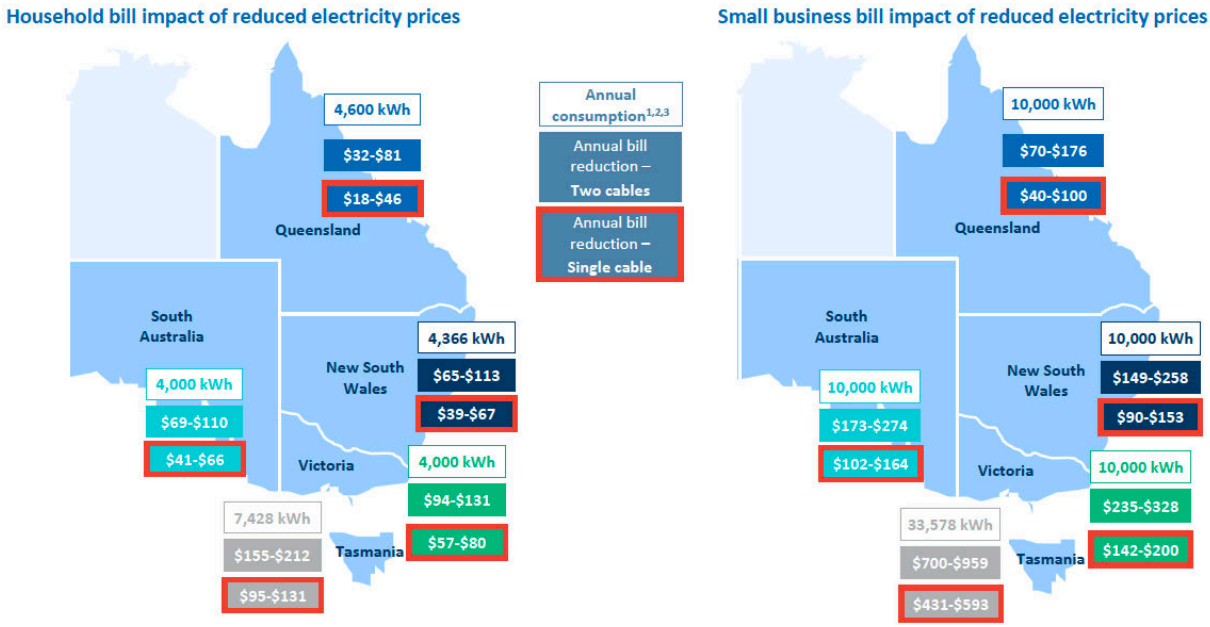
18 This analysis excludes the price impact of the North West Transmission Developments, which are being progressed by TasNetworks.

19 For Tasmanian customers, the data have been obtained from TasNetworks. For Victorian customers, information from the 2024-25 Victorian Default Offer Report has been used for the annual bill and usage. All data is expressed in June 2023 prices and excludes GST.

range $25 – $36 per customer per annum.[20] In other words, customers are better off with Project Marinus, consistent with the findings in the RIT-T update in April 2024.

As MLPL has now updated the RIT-T analysis to support this revised Revenue Proposal, we also asked FTI consulting to update its estimate of the customer benefits. FTI Consulting's updated analysis shows increased projected wholesale price savings in Tasmania and Victoria, and savings in other jurisdictions, as shown in Figure 2 below.

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



The estimated savings in wholesale energy prices should provide confidence to stakeholders that Project Marinus will provide significant net benefits to customers in Tasmania, Victoria and across the NEM. It is also noted that these estimated savings exclude the broader benefits from Marinus Link associated with economic and employment growth, including multiplier effects, as detailed in EY's study in October 2023.[21]

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20 This estimate is the net benefit to customers after allowing for network costs, including an estimate for the NWTDs.

21 EY, The economic contribution of Project Marinus, October 2023.

1. Introduction and background

1.1 Purpose

MLPL is submitting this revised Revenue Proposal to the AER, in accordance with clause 6A.9.3(b) of the Rules and the AER's Commencement and Process Paper. This submission follows the submission of MLPL's Revenue Proposal in November 2024 and the AER's Initial Draft Decision, which was published on 16 May 2025. In preparing this revised Revenue Proposal, we have had regard to the Rules requirements; the AER's Better Resets Handbook[22]; and the AER's expenditure forecast assessment guidelines for electricity transmission.[23]

As explained in MLPL's Revenue Proposal, Marinus Link is an infrastructure project of national significance which is expected to deliver substantial benefits to electricity customers by reducing wholesale electricity costs. It will also contribute to Australia's emissions reduction targets of 43% by 2030 and net zero by 2050. In this context, this revised Revenue Proposal is a further significant step towards delivering this important project.

1.2 Revenue determination process

As a newly formed transmission company that intends to provide prescribed transmission services, MLPL is classified as an Intending TNSP. In December 2022, the AEMC amended Chapter 6A of the Rules to enable MLPL (and other Intending TNSPs) to lodge an Application to the AER for a revenue determination. This Rule determination was made in response to a Rule change request submitted by MLPL, which explained that Chapter 6A of the Rules allowed the AER to make revenue determinations for existing TNSPs, but not for Intending TNSPs such as MLPL.

The AEMC's Rule change addressed this gap in the regulatory framework by setting out specific arrangements for how the AER should conduct a revenue determination for an Intending TNSP. The first step in the process is the submission of an Application by the Intending TNSP to the AER, which includes, amongst other things, a proposed timetable for the revenue determination.

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22 AER, Better Resets Handbook Towards Consumer Centric Network Proposals, July 2024.

23 AER, Expenditure Forecast Assessment Guideline for Electricity Transmission, October 2024.

In March 2023, MLPL submitted its Application to the AER. In that Application, MLPL explained that a revenue determination by the AER for Marinus Link is a key input to MLPL making an investment decision to proceed with the construction of Marinus Link. From a commercial perspective, MLPL noted that investors will want to know how Marinus Link will earn revenue and whether that revenue is likely to be sufficient to provide a reasonable return on their investment. A revenue determination from the AER will provide that information.

In June 2023, the AER accepted MLPL's Application and published its Commencement and Process Paper, which describes how the AER intends to conduct the revenue determination process for MLPL. The AER subsequently amended its Commencement and Process Paper[24], which sets out the following revenue determination process:

- Stage 1 has two parts, Part A (Early works) and Part B (Construction costs). Stage 1 will culminate with an AER revenue determination that establishes an expenditure allowance for the costs of planning and commissioning the project and a mechanism for setting MLPL's RAB. The duration of the first regulatory period will be five years, from 1 July 2025 to 30 June 2030.

  MLPL will not recover any revenue from electricity customers during this regulatory period, as transmission services are not expected to commence before 1 July 2030, i.e., not until the second regulatory period. In addition, some 'building block' components, such as MLPL's operating expenditure allowance, do not need to be determined during Stage 1.

- Stage 2 will be a standard revenue determination process which will establish the maximum allowed revenue (**MAR**) that MLPL is able to earn when services commence. The second regulatory period will commence on 1 July 2030 and, at this stage, is expected to apply for five years.

The revenue determination process for the 2025-30 regulatory period is complicated by the timing of the tender processes, as cable system and converter station equipment were completed in 2024, while the Balance of Works tender which was temporarily suspended following market feedback on MLPL's initial packaging approach. The Balance of Works tender has now progressed to the point that allows a Class 2 estimate to be submitted to the AER, noting that forecasts have been verified by independent experts.

The AER's regulatory timetable addresses the delay in the Balance of Works tender by completing the Draft Decision in two stages, as shown in Table 4 below, with this document highlighted.

[24] AER, Marinus Link, Updated Commencement and Process Paper, November 2024. It should be noted that the AER previously updated the Commencement and Process Paper in March 2024.

Table 4: Key milestones for Part B (Construction costs)

Milestone	Proposed timing – no later than
Marinus Link to submit Stage 1, Part B (Construction costs) Revenue Proposal	29 November 2024
AER issues paper and stakeholder consultation	7 March 2025
AER Initial Draft Decision (limited to cable system and converter station equipment)	16 May 2025
Marinus Link to submit revised Revenue Proposal (This Document)	15 July 2025
AER's supplementary Draft Decision (all expenditure items)	10 October 2025
AER final decision on Part B (Construction costs) Revenue Proposal	19 December 2025* or 6 February 2026

* The timeframe may be extended if MLPL's revised Revenue Proposal increases the previously assessed expenditure by 15% or if MLPL's revised Revenue Proposal is submitted more than two weeks later (as a result of a delay in the Balance of Works tender).

As the revenue determination process described above will only cover the construction phase of the project, its scope is substantially narrower than the standard determination process. Specifically, the AER's revenue determination for this revised Revenue Proposal will:

- Provide an allowance for MLPL's construction costs for the first cable and the necessary works to enable the second cable to be delivered prudently and efficiently;
- Establish the arrangements, including the applicable cost of capital, for determining MLPL's opening RAB at the commencement of the first regulatory period, being 1 July 2025, and rolling it forward to the end of the first regulatory period;
- Determine which, if any, incentive schemes should apply to early works expenditure and construction costs; and
- Determine the nominated pass-through events that should apply during the construction phase of the project.

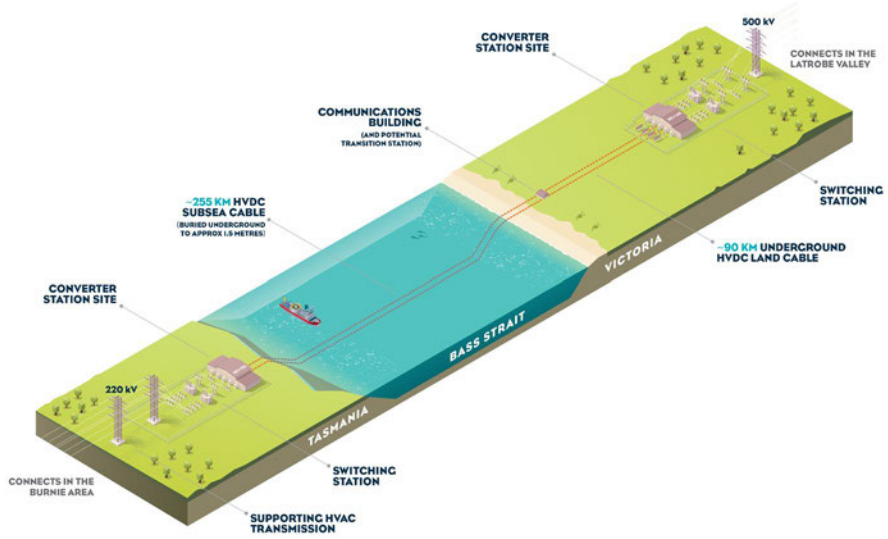
1.3 What is Marinus Link?

Marinus Link involves approximately 255 kilometres of undersea HVDC cable and approximately 90 kilometres of underground HVDC cable in Victoria, as shown in the map below.

Figure 3: Location of Marinus Link project key assets

Figure 4 provides a schematic overview of Marinus Link, which will provide total interconnection capacity of 1500 MW, through two 750 MW cables.

Figure 4: Marinus Link overview



As coal-fired generation retires, Australia needs access to affordable, 'on-demand' electricity and the ability to store energy for long periods. Marinus Link can help meet this need for NEM customers. In particular,

Tasmania's existing hydro capacity, along with wind resources and energy storage capability, is able to provide a reliable source of low-cost, on-demand, clean energy. Marinus Link will enable this capability to be shared across the NEM and thereby avoid the need for higher cost alternative solutions.

Marinus Link is part of a larger project, which is referred to as Project Marinus, which will be developed and owned by different entities:

- Marinus Link will be owned and operated by MLPL, which is subject to new ownership arrangements from 23 March 2024 comprising the Federal Government (49%), the Victorian Government (33.3%) and the Tasmanian Government (17.7%). This new ownership arrangement replaced the prior arrangements whereby MLPL was a wholly owned subsidiary of Tasmanian Networks Pty Ltd (**TasNetworks**).

- The NWTD component of Project Marinus will be owned and operated by TasNetworks.

The current timeframes for progressing Marinus Link indicate that the first 750 MW stage will be operational in late 2030, and the second 750 MW stage is not expected to be required before 2034.

1.4 Actionable ISP Status

The status of Marinus Link as an actionable ISP project is important in understanding why it is prudent and efficient for Marinus Link to proceed. In this section, we provide a brief summary of AEMO's independent assessment of the economic case for Marinus Link during successive ISPs from 2020 onwards.

AEMO is required to publish an ISP every two years. The ISP sets out an Optimal Development Path (**ODP**), which identifies investments that meet the future needs of the NEM, including actionable and future ISP projects (transmission projects or non-network options). In its 2020 ISP, AEMO assessed that:[25]

> "Marinus Link is a multi-staged actionable ISP project to be completed from 2028-29, with early works recommended to start as soon as possible and with further stages to proceed if their respective decision rules are satisfied."[26]

[25] AEMO, 2020 Integrated System Plan, July 2020, page 82.

[26] 'Decision rules' are conditions that must be met in order for a multi-staged actionable ISP project to proceed to the next stage.

AEMO reconfirmed Marinus Link as an actionable project in its 2022 ISP, removing the decision rules. AEMO's 2022 ISP, which was subject to extensive stakeholder consultation, assessed that the need for Marinus Link had strengthened since its 2020 ISP:[27]

> "Marinus Link is a single actionable ISP project, without staging between the first and second cables. The optimal delivery in Step Change is 2029-30 for cable 1, and 2031-32 for cable 2. Any delay reduces net market benefits in all scenarios but the unlikely Slow Change.
>
> The project's two cables are estimated to cost $2.38 billion ±30% (cable 1) and $1.40 billion ±30% (cable 2). At the higher end of this cost range, the project may no longer be optimally timed for delivery as soon as possible, but the regret of having invested too early is small. Its status as an actionable ISP project is not affected by materially higher discount rates, materially lower gas prices, or any other variations in inputs tested through sensitivity analysis."

In relation to actionable ISP projects more generally, AEMO's 2022 ISP explained that these projects are needed urgently, and pressed for earlier delivery if possible:[28]

> "The schedule of actionable projects lists the earliest practical delivery time AEMO has been advised by the project proponents. Earlier delivery would either be more optimal to deliver benefits to consumers or would provide valuable insurance and guard against other potential delays. All actionable projects should therefore progress as urgently as possible, and state and Commonwealth mechanisms which support earlier progression of projects could deliver earlier benefits or cost savings."

In June 2024, AEMO published its 2024 ISP which again reconfirmed that the project remains actionable without decision rules. AEMO's direction that Marinus Link continues to be an actionable ISP project provides strong support for progressing this project. MLPL notes that AEMO's draft 2026 ISP is expected to be published in December 2025.

1.5 Government support and concessional finance

Project Marinus has received significant government support since the feasibility phase of the project commenced in 2017. Information on grants and government support is contained in our Revenue Proposal Stage 1 - Part A (Early works) and reflected in the AER's determination for early works, which was published

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[27] AEMO, 2022 Integrated System Plan June 2022, page 73. It should be noted that AEMO's references to Marinus Link are references to Project Marinus.

[28] AEMO, 2022 Integrated System Plan June 2022, page 18.

in December 2023. To summarise, MLPL's RAB has been reduced by the value of the funding received so that the costs to be recovered from customers through network charges are lower than would otherwise be the case.

MLPL is also expecting to receive concessional finance, which will further reduce the network revenues that are recovered from electricity customers. The revenue and pricing information presented in this revised Revenue Proposal reflect a working assumption regarding the benefits of concessional finance. It should be noted, however, that this estimate may be subject to change when the concessional finance arrangements for Marinus Link are settled.

1.6 Confidentiality

MLPL is claiming confidentiality in relation to information that is commercially sensitive. Information has been redacted.

1.7 Structure of this revised Revenue Proposal

The remainder of this revised Revenue Proposal is structured as follows:

- Chapter 2 describes our approach to stakeholder and community engagement, which has been ongoing since 2017 and will continue to be an important focus for MLPL.
- Chapter 3 sets out the scope of works required to deliver the first cable and in readiness for the second cable.
- Chapter 4 provides an overview of our procurement strategy, which is designed to maximise competitive tension between prospective service providers to achieve the best outcome for customers.
- Chapter 5 provides a forecast of our construction expenditure, which reflects the scope of work described in Chapter 3 and the outcomes to date from the procurement process described in Chapter 4.
- Chapter 6 presents our estimate of the allowed rate of return, applying the AER's 2022 Rate of Return Instrument (**RORI**).
- Chapter 7 sets out our proposed approach to establishing the opening RAB as at 1 July 2025 and rolling it forward during the regulatory period. It also provides our updated forecasts of early works costs, which will be reflected in the opening RAB.

- Chapter 8 discusses MLPL's revised proposal in relation to the Capital Expenditure Sharing Scheme (**CESS**), which is the only incentive scheme that applies for the 2025-30 regulatory period.

- Chapter 9 sets out MLPL's amended approach to pass through events, which addresses the AER's position in its Initial Draft Decision.

- Chapter 10 presents MLPL's indicative annual revenues and prices in relation to Marinus Link, noting that actual revenue will not be recovered until the second regulatory period, commencing 1 July 2030.

- Chapter 11 responds to the AER's position on the treatment of the second cable as a contingent project in its Initial Draft Decision.

- Chapter 12 sets out our concluding comments and proposed next steps.

- The appendix shows which AER decisions under clause 6A.14.1 of the Rules are addressed in this revised Revenue Proposal. It also provides cross-references to those sections of this revised Revenue Proposal that are relevant to those decisions.

This revised Revenue Proposal also includes the following supporting documents, which provide additional information in relation to each expenditure category to explain the basis of the forecasts, including why MLPL considers the forecast to be prudent and efficient:

- **Attachment 1 – Converter station design and equipment supply**. This scope of work covers the provision of the converter station equipment, which has been competitively procured. MLPL executed the contract with Hitachi Energy on 1 May 2024 following the completion of the tender process and subsequent final negotiations regarding the contract terms and conditions. This attachment is substantially unchanged from the Revenue Proposal, with the exception of the expenditure forecasts which have been updated to reflect the latest available information.

- **Attachment 2 – HVDC cable system – submarine and land cables**. This scope of work includes the design, supply and installation of the HVDC submarine and land cables, including the earthing system and fibre optical telecommunication cables required for the cable monitoring systems and communication between the converter stations. It also includes landfall HDD. MLPL executed the contract with Prysmian Powerlink on 1 August 2024, following the completion of the tender process and subsequent final negotiations regarding the contract terms and conditions. As noted in relation to Attachment 1, this attachment has been updated to reflect the latest expenditure forecasts.

- **Attachment 3 – Balance of Works**. This scope of work covers the detailed design, construction and installation of the balance of plant forming part of the converter stations, being the main converter interface transformers and the main converter valves, including supports; and the land cable civil works

(including trenching works, HDD works and joint bays) and access roads. The competitive tender process for the Balance of Works scope of work is sufficiently progressed to allow a Class 2 estimate to be submitted to the AER. It should be noted that contract negotiations have not concluded and, therefore, updates to the cost forecasts may be required following the publication of AER's supplementary Draft Decision.

- **Attachment 4 – Support activities**. These costs relate to activities that are necessary to support the prudent and efficient construction of the project. The forecast expenditure includes a mix of MLPL's internal costs and external service providers to support the project, with the objective of optimising the resource commitments to achieve the best outcome for customers. This expenditure includes the costs of MLPL's Integrated Delivery Partner.

- **Attachment 5 – Insurance costs**. This attachment is an independent expert report prepared by Lockton, which explains the suite of insurances that is required to support a project of Marinus Link's scale and nature. This attachment has been updated since our Revenue Proposal to reflect the latest forecast information.

- **Attachment 6 – Hedging costs.** This attachment is an independent expert report prepared by Chatham Financial on the hedging principles and strategy that should guide MLPL's approach to reducing the project's exposure to the volatility and unpredictability of foreign exchange and commodity markets for the benefit of customers. This attachment has been updated since our Revenue Proposal to reflect the latest forecast information.

- **Attachment 7 – Risk allowance**. A report on the estimated risk allowance has been prepared by E3 Advisory, which has been prepared in accordance with the AER's guidance note[29].

- **Attachment 8 – Labour and contract escalation rates**. A report from Oxford Economics estimating the escalation rates for MLPL's labour costs and the price indices that have been adopted in the executed contracts for converter station equipment and HVDC cable systems.

- **Attachment 9 – Aurecon Advisory's Independent Cost Review.** A report from Aurecon Advisory that assesses the reasonableness of our forecasting methodology and resulting forecasts. In conducting its review, Aurecon Advisory has had access to background materials and MLPL's subject matter experts, in addition to applying their own expertise and benchmarks to assess the prudency and efficiency of our proposed expenditure.

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[29] AER, Regulation of actionable ISP projects, Guidance Note, March 2021, section 2.6.

The following additional attachments also form part of this revised Revenue Proposal:

- **Attachment 10** – **Capital Expenditure Sharing Scheme**. This attachment is an independent expert report prepared by Jeff Balchin of Incenta Economic Consulting.

- **Attachment 11** – **Directors' Certification**. This attachment provides the Directors' certification that the assumptions that underpin the expenditure forecasts in this revised Revenue Proposal are reasonable.

In addition to the above attachments, MLPL will provide financial information to the AER in excel files.

2. Stakeholder and community engagement

Key Points:

- Project Marinus has been the subject of extensive investment analysis and stakeholder engagement since its inception in 2017.
- MLPL established a Consumer Advisory Panel (**CAP**) to capture the views of consumers and other stakeholders throughout the project, and particularly during the procurement phase.
- MLPL conducted eight sessions with the CAP covering a range of topics during the development of the Revenue Proposal, which was submitted in November 2024.
- This revised Revenue Proposal takes account of the further feedback received from the CAP and other stakeholders including through MLPL's broader engagement. The key themes from this feedback are explained in this chapter.

2.1 Ongoing engagement from project commencement

Marinus Link will contribute to a significant transformation of the power system, and together with the transition to renewable energy, is a complete revolution of Australia's energy system. It connects Tasmania's hydro storage capacity and superior wind resources with the rest of Australia to sell Tasmania's excess energy when it is not needed in Tasmania. Tasmania will also benefit from enhanced access to the rest of the Australian market. Put simply, the cost of power to Tasmanians and all Australians will be lower with Marinus Link than it would be without it.

Our engagement with electricity consumers, stakeholders and the wider community does not begin or end with the AER's revenue determination process. Instead, our engagement with consumers has been ongoing from project commencement and will continue beyond the revenue determination process, as we work to secure and maintain social license for this important project. In this section, we provide a summary of the extensive stakeholder engagement undertaken and planned for Project Marinus. Key elements to our engagement include:

- Extensive and regular community engagement and attendance at community events in both North-West Tasmania and along the Gippsland alignment;

- Landholder Engagement;
- Consumer Advisory Panel;
- Gippsland Stakeholder Liaison Group (GSLG); and
- Extensive digital library resources available to the public.

Project Marinus commenced in 2017 with $20 million in funding from the Tasmanian Government through TasNetworks and the Australian Government through the Australian Renewable Energy Agency (**ARENA**). The feasibility and business case assessment phase concluded with the release of the Business Case Assessment Report in December 2019. In the final report, it was noted that:

> "A range of stakeholders, interest groups, and individuals have been engaged across the NEM in order to raise awareness and understanding of Marinus Link and supporting transmission and its potential impacts, including route, environmental and cultural matters, pricing challenges, economic benefits and costs, and the business case assessment process. The project continues this engagement, promoting opportunities for stakeholders to provide feedback and comment, and outlining how this feedback will be considered."

In parallel with the feasibility and business case assessment, TasNetworks commenced the RIT-T process in 2018. The RIT-T is the public economic cost benefit test that must be undertaken for large transmission projects. The purpose of the RIT-T is to identify the transmission investment option that maximises net economic benefits. The RIT-T process for Project Marinus comprised the following documents:

- Project Specification Consultation Report, July 2018;
- Draft Project Assessment Report, December 2019;
- Supplementary Analysis Report, November 2020;
- Project Assessment Conclusions Report, July 2021;
- RIT-T update report, April 2024; and

- A further RIT-T update report, July 2025.[30]

MLPL engaged extensively with customers and other stakeholders at each stage of the RIT-T process. Each report listed above provided a summary of the stakeholder feedback that had been received during the preceding stage and explained how it had been addressed. AEMO conducted similar consultation exercises through its ISP process, noting that Marinus Link was classified as an actionable project in each ISP, including AEMO's 2024 ISP, as already noted in section 1.4.

The principal question to be addressed during the AER's revenue determination process is whether the forecast expenditure for constructing the first cable and undertaking the necessary works in readiness for the second cable is prudent and efficient. While this is a technical question for the AER and its consultants to address, we have engaged directly with our CAP to explain the basis of our forecasts and the rationale for the proposed expenditure allowance. We discuss this engagement next.

2.2 Stakeholder and community engagement overview

We recognise the importance of engaging throughout the project's development to understand what is important to stakeholders and the community. This is critical to identifying the social, environmental and cultural impact of the project, as well as securing and maintaining our social license.

Marinus Link is subject to a large and complex multijurisdictional approvals process, including regulatory, planning and environmental approvals. These processes provide a number of statutory engagement opportunities. To support these approvals and timely project development, MLPL has adopted a best-practice engagement approach, which involves actively seeking out and hearing from the broadest cross-section of the community by making it as easy as possible to find information and provide feedback.

Community and stakeholder engagement on Marinus Link comprises a number of phases, which are aligned with the project stages and key milestones. The engagement objectives have been to:

- Raise awareness about the project;

[30] The purpose of this RIT-T report and the earlier update was to form an opinion as to whether the preferred option remains unchanged or not, given the new information that has become available since the publication of the PACR in June 2021. As already noted, the latest RIT-T update confirms that the preferred option remains unchanged, with the net benefits having increased since the completion of the previous update in April 2024.

- Support the Feasibility Study, Business Case Assessment and RIT-T processes (as detailed in section 2.1);
- Communicate and engage with communities in Tasmania and Victoria in a variety of ways to ensure they have the opportunity to learn about the project, its benefits and impacts, and provide informed feedback to the project team;
- Provide information about the preferred route for Marinus Link and why it was chosen, and consult with landholders to minimise impacts on their properties;
- Support the project team's understanding of issues and concerns to inform the project's design and construction approach; and
- Engage with industry, suppliers, and local businesses to ensure they understand the opportunities and have capacity to respond to tenders.

Table 5 below provides an overview of the extensive engagement that has taken place from the early phases of the project to the current phase, being Phase 3.

Table 5: Overview of engagement and key activities

Phase	Description	Key activities
Phase 1 Mid-2018 to late 2019	The first formal phase of engagement took place over 18 months from July 2018 to December 2019. The objectives of this phase of engagement were to raise awareness about the project and support the Feasibility Study, Business Case Assessment and RIT-T processes.	• Meetings • Workshops • Information sessions • Regular print and digital communications

Phase	Description	Key activities
Phase 2 Early 2020 to early 2022	The onset of Covid-19 and regional bushfire events in early 2020 delayed active on-ground engagements in Victoria. Face-to-face landowner and community engagement events had to be rescheduled or deferred until later in the year. In November 2020, MLPL began engaging with Gippsland landowners in Victoria to introduce Marinus Link and consult in relation to the proposed route. Engagement with the broader Victorian public started in early 2021 and focussed on raising awareness of the project, capturing feedback on the proposed route and promoting the benefits for Victoria. From September 2021, the engagement focus shifted to raising awareness about the upcoming Commonwealth and Victorian environmental planning and assessment referrals. Engagement activities were undertaken virtually, until easing of restrictions allowed a return to face-to-face engagement in late 2021.	• Key stakeholder briefings • Pop-up community information stands and drop-in sessions • Stall at Farm World Exhibition • Launch of an interactive map where community members could provide feedback • Face-to-face meetings with landowners • Regular print and digital communications • Online meetings with Gippsland organisations • Presentations to community, environmental and industry groups • Community webinars • Establishment of the Gippsland Stakeholder Liaison Group

Phase	Description	Key activities
Phase 3 February 2022 – to date	MLPL engaged broadly across both Tasmania and Victoria to support the design and approvals phase. From early 2023, engagement has focused on updating the community and stakeholders on impact assessments being prepared to inform environmental and planning approvals and project design. An Aboriginal Advisory Group was established to facilitate ongoing conversations with and between Traditional Owners. This has provided valuable opportunities for cultural exchange, understanding and capacity building. The key focus of this phase of engagement has included: • Project status, timeline, government funding and impact • Addressing landowner concerns including compensation • Land use and route alignment options • Jobs and skill creation and opportunity • First Peoples careers, support and pathways • Cultural heritage impacts • Environmental impacts including environmental surveys, native wildlife and habitat • Location and noise impact from converter stations • Technical details on the cables • Impact on renewable energy	• Establishment of an Aboriginal Advisory Group • Establishment of a Consumer Advisory Panel • Establishment of First Peoples Advisory Group • Targeted engagement with Traditional Owners and groups • Ongoing engagement with local, state and federal governments • Ongoing key stakeholder briefings • Ongoing meetings with landowners • Regular Gippsland Stakeholder Liaison Group meetings • Presentations to key stakeholder groups • Attending meetings of established community organisations • Participation in local community events and markets • Participation in career and job expos • Pop-up community information stands and drop-in sessions • Council briefings • Community webinars • Regular print and digital communications

Three broad key themes have been identified through this engagement process, which are briefly summarised below.

- **Economic development**

  Stakeholder engagement indicated that the community expected capacity development within the region to ensure the project workforce can be sourced locally. There was a broad consensus that a community benefit sharing scheme, which provides support to local initiatives, groups or sporting clubs, would help those communities most impacted by the project.

- **Landholder impacts**

  Private property owners raised concerns relating to how an easement may impact future agricultural land use, biosecurity on farms during construction and how works may impact organic certifications.

- **Environmental impacts**

  The broader community indicated interest in understanding impacts to vegetation, animal habitat and the marine environment from both the construction and operation of Marinus Link.

During the 'early works' phase of the project, we have continued to work with the affected communities to address these concerns. As noted in Table 5, our current engagement phase commenced in 2022. It involves extensive engagement with landholders, stakeholders and communities across the project's geographic footprint to respond to these issues and to outline how they have been addressed. Community and stakeholder engagement will be ongoing throughout the project, including through the construction and delivery phases of the project.

2.3 Consumer Advisory Panel

2.3.1 Approach

The CAP provides a key forum for engaging electricity consumers in the development of our Revenue Proposals. The CAP comprises members across many sectors of energy consumers and a broad geographical base. There are currently eight representatives on the panel intended to broadly represent electricity consumers across the NEM. The CAP's purpose is to:

- Provide consumers with a genuine opportunity to participate in the development of our Revenue Proposals, especially on elements where consumer feedback can have the greatest impact;
- Provide a forum for participants to raise questions and concerns on behalf of the consumers they represent; and
- Enable us to ensure that consumers' views and preferences are reflected in our Revenue Proposals.

Engagement with consumers began in mid-2021 through online briefings which aimed to educate a broad cross-section of consumer representative groups about the project and the revenue setting process, and understand their capacity to participate in a CAP. This culminated in a workshop with consumer representative groups which formed the basis of Marinus Link's Consumer Engagement Plan.

The CAP was formally convened in April 2022 through an expression of interest process. CAP members participated in an initial Roundtable Series which provided them with the information needed to meaningfully participate in the process. The Roundtable Series covered:

- The Marinus Link business case;
- Marinus Link's role in the future electricity market;
- How the project will be constructed;
- The question of who pays for Marinus Link; and
- Landholder engagement and community benefit sharing.

Throughout 2022 and 2023 CAP members participated in seven deliberative workshops to consider issues relevant to both the Part A (Early works) and Part B (Construction costs) Revenue Proposals. Our engagement approach focused on examining specific issues in depth; understanding the challenges and opportunities arising from the project; sharing views and opinions; and striving to reach a shared conclusion. These workshops are summarised in Table 6 below.

Table 6: CAP deliberative workshops – relevant to both early works and construction costs

Topic	Engagement scope	IAP2 level	Date
Workshop #1 (in person) • CAP foundations • Cost allocation • Procurement strategy • Risk allocation	Marinus Link cost allocation	Consult	30 July 2022
	Tendering and procurement process	Involve	
	Hedging approach and risk allocation	Consult	
Workshop #2 (online) • Procurement strategy • Tender evaluation	Tendering and procurement process	Involve	17 August 2022

Topic	Engagement scope	IAP2 level	Date
Workshop #3 (online, combined workshop with Gippsland Stakeholder Liaison Group) • Sustainability framework priorities	Sustainability approach	Involve	14 September 2022
Workshop #4 (in person) • Role of an independent procurement evaluator • Sustainability framework commitments and willingness to pay • CAP in 2023	Tendering and procurement process	Collaborate	5 December 2022
	Sustainability approach	Involve	
	CAP in 2023	Collaborate	
Workshop #5 (online) • Proposed environmental impacts and mitigations	Environmental impacts and proposed mitigations	Consult	30 March 2023
Workshop #6 (in person) • Revenue Proposal Part A	Early Works	Consult	18 May 2023
	Input assumptions, escalations	Consult	
Workshop #7 (online) • Lessons learned	Engagement approach	Collaborate	August 2023

MLPL also undertook 9 sessions with the CAP to inform the development of the Revenue Proposal, which was submitted in November 2024.

Table 7: Topics, scope and timetable for consultation on the Revenue Proposal - Part B (Construction costs)

Topic	Engagement scope	IAP2 level	Date (w/c)
Session #1 • Procurement strategy and tender evaluation	Tender evaluation update from independent representative	Involve	23 Oct 2023
Session #2 • Social license	Community benefit sharing program costs	Consult	30 Oct 2023
Session #3 • Price impact	Updated costs, benefits and price impacts	Inform	13 Nov 2023
Session #4 • Incentive schemes	Application of the incentive schemes to construction costs and RIT-T update	Consult	27 Nov 2023
Session #5 • CAP's independent review and broader consultation	Discuss CAP's review and advice on broader consultation.	Collaborate	11 Dec 2023
Session #6 • Timeframes update (online)	Update on Revenue Proposal timeframes	Inform	22 Jan 2024
Session #7 – Infrastructure Sustainability Council (ISC) rating	Overview of the sustainability framework objectives, priorities and focus areas as well as the ISC rating scheme proposed structure and costs	Consult	5 Feb 2024
Session #8 • RIT-T update	Feedback session	Consult	12 Feb 2024

Topic	Engagement scope	IAP2 level	Date (w/c)
Session #9 • Draft Revenue Proposal	Review of draft Revenue Proposal	Consult	22 April 2024

Following the publication of the AER's Initial Draft Decision, MLPL conducted two further sessions with the CAP to seek their feedback on the key issues and MLPL's proposed response in this revised Revenue Proposal.

Table 8: Further consultation on the Initial Draft Decision and revised Revenue Proposal

Topic	Engagement scope	IAP2 level	Date (w/c)
Session #10 • Feedback on key issues raised in the AER's Initial Draft Decision	CESS; pass through arrangements; and social license	Involve	20 May 2025
Session #11 • Draft revised Revenue Proposal	Review of draft revised Revenue Proposal	Consult	11 July 2025

2.4 Broader stakeholder engagement

MLPL's engagement approach recognises that the scope of the AER's revenue determination process 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, the revenue setting process 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 relation to this revised 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 particular, MLPL recognised the AER's commentary on our engagement approach in its Issues Paper in March 2025, which encouraged MLPL to broaden its engagement beyond the CAP, as we prepared this revised Revenue Proposal. In response to these concerns, MLPL explained that it intended to build on its existing initiatives and the AER's consultation

process to ensure that stakeholders' views are reflected in this revised Revenue Proposal and future revenue proposals to the greatest extent possible.

In addition to reviewing the stakeholder submissions in response to the AER's Issues Paper and engaging with stakeholders through the AER's public forum, MLPL presented at the AER's pre-determination conference and encouraged stakeholders to provide feedback to MLPL on the AER's Draft Decision and its Revenue Proposal. The feedback from stakeholders and the CAP is discussed in the next section, together with an explanation as to how this feedback has been taken into account in this revised Revenue Proposal.

2.5 Reflecting stakeholder feedback in this revised Revenue Proposal

The purpose of this section is to describe the themes that have emerged during our stakeholder engagement and explain how they have been reflected in this revised Revenue Proposal. This commentary is not intended to express any views on the effectiveness of our engagement approach.

Social license

CAP members have continuously stressed the importance of a strong project narrative that explains the need for, and value of, Marinus Link. The CAP has also highlighted the importance of securing community support for the project. Early workshops with the CAP explored matters such as Traditional Owner engagement, landholder engagement and community benefit sharing. The CAP also considered consumers' willingness to pay for community benefit sharing and other initiatives.

MLPL has taken account of the stakeholder views including submissions to the AER on the need to engage with the affected communities and build social license for the project. We have included updated cost for social license and community benefit sharing in this revised Revenue Proposal.

Procurement strategy and local content

MLPL has engaged directly with the CAP on our procurement approach throughout the project. Our procurement strategy changed during the project and the CAP has been supportive of the changes made, which have been driven by market conditions and feedback from prospective service providers.

As noted in our Revenue Proposal, the CAP has been eager to understand how international suppliers will work with Australian partners to employ and support local suppliers. The CAP strongly supports Australian industry participation in the delivery of Marinus Link. CAP members, however, are concerned about potential negative impacts arising from the project, particularly in relation to local housing shortages and markets in which local businesses operate. The CAP considers that these negative impacts should be carefully managed

and avoided. The CAP suggested that these matters could be considered as part of the Australian industry participation criteria and in awarding project contracts.

Through two workshops, CAP members had the opportunity to work with MLPL to shape the CAP's involvement in the procurement process. Marinus Link appointed an independent CAP observer who participated in procurement processes and reported back to the CAP.

Costs and benefits of Project Marinus

The costs and benefits of Project Marinus has been a key issue for stakeholders, in submissions to the AER and during the AER's pre-determination conference. The CAP has also maintained a focus on the likely costs and benefits of Project Marinus, including how these costs and benefits are shared between customers in Victoria and Tasmania.

Although MLPL will not recover any revenue from electricity consumers until the second regulatory period, this revised Revenue Proposal provides further updated information on the price impact of Project Marinus and the expected benefits. In addition, MLPL commissioned FTI consulting to update the customer benefit analysis, which explained the benefits that Project Marinus will provide and how these are benefits are likely to be distributed across the NEM regions. MLPL has published this updated report on its website and invited stakeholder feedback.

Infrastructure Sustainability Rating Scheme

MLPL has engaged with the CAP on its proposal to undertake the Infrastructure Sustainability Rating Scheme for the design and construction components of the project. It was noted that there are considerable steps that MLPL can take during the design phase to minimise emissions and other impacts during operation. In response to information presented, the CAP recommended that MLPL adopts the Silver rating with an option to upgrade to the Gold rating in the future. MLPL further engaged with the CAP on this issue, and received positive feedback for adopting a Silver rating noting that opportunities may be possible during construction to improve this rating, where cost effective to do so.

In light of the feedback from the CAP and other stakeholders, this revised Revenue Proposal reflects our target of a Silver rating for design and construction, in accordance with the Infrastructure Sustainability Rating Scheme.

Capital Expenditure Sharing Scheme

Following the AER's Initial Draft Decision, MLPL sought further input from the CAP and other stakeholders through the AER's pre-determination conference on the appropriate design of the CESS. This feedback

indicated that risk allocation between MLPL and customers was an important consideration, as well as the need to ensure that MLPL faced appropriate incentives to deliver the project efficiently.

While the feedback highlighted stakeholder concerns, it did not provide clear guidance on how the incentive rate should be set. MLPL therefore engaged an independent expert, Jeff Balchin, to provide an opinion on the appropriate incentive rate having regard, amongst other things, to the interests of consumers. A key finding in Jeff Balchin's report is that the purpose of the CESS as mandated by the National Electricity Rules is to promote efficient performance, rather than providing a mechanism for sharing risk between consumers and the network service provider. MLPL notes that this is an important finding, given the feedback from stakeholders that risk allocation was considered to be a factor in determining the appropriate incentive rate for the CESS.

MLPL's Board has accepted Jeff Balchin's report, which explains that the interests of consumers are best served by using the CESS and ex post review in combination to drive efficient performance, rather than regarding the CESS as a risk sharing mechanism. Jeff Balchin's independent expert report is provided as Attachment 10 to this revised Revenue Proposal and reflected in our proposal in section 8.3 of this revised Revenue Proposal.

3. Scope of work: Stage 1 construction and readiness for Stage 2

Key Points:

- This revised Revenue Proposal addresses the costs of constructing the first stage of Marinus Link and undertaking the necessary works in readiness for the second stage. The purpose of this chapter is to provide a high-level summary of the required project scope. This information is unchanged from the Revenue Proposal.
- The procurement strategy is discussed in Chapter 4 and the expenditure forecasts are presented in Chapter 5. As explained in Chapter 4, the scope of works is being delivered in three works packages to maximise the competitive tension between prospective service providers and minimise the costs to customers.
- Attachments 1 - 9 provide further detailed information on the scope of work, our expenditure forecasts and independent expert reports to demonstrate the prudency and efficiency of our proposed expenditure.

3.1 Overview of the project scope

As noted in section 1.3, the Marinus Link project is a 1500 MW (2 x 750 MW) capacity undersea and underground HVDC electricity connection between Tasmania and Victoria. The project will be delivered in two 750 MW stages (Stage 1 and Stage 2) and will consist of:

- Approximately 255 km of 320 kV submarine HVDC cable across Bass Strait and approximately 90 km of 320 kV underground HVDC cable in Victoria.
- Two 320 kV converter stations proposed to be located at Heybridge in North-West Tasmania and Hazelwood in the Gippsland region of eastern Victoria.

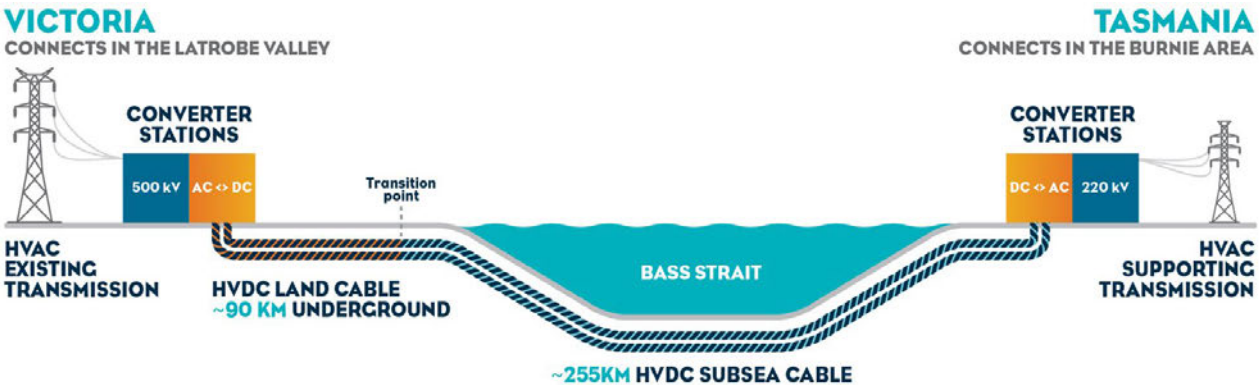
These assets will be delivered by competitively sourced service providers. Our procurement strategy is discussed in Chapter 4 and the resulting capital expenditure in Chapter 5.

A switching station will also be required in Tasmania, which will be constructed, owned and operated by TasNetworks. The switching station costs are outside the scope of this revised Revenue Proposal and these costs are excluded from our capital expenditure forecasts.

In addition to the construction activities described above, support activities are also required which are not directly related to the construction of the assets. These support activities are essential to the successful completion of the project including, for example, consumer engagement and social license activities; project and program management; and corporate services. The support activities are provided by a mix of external service providers and in-house resources.

Figure 5 below provides an overview of the project.

Figure 5: How Marinus Link connects the Tasmanian and Victorian transmission networks



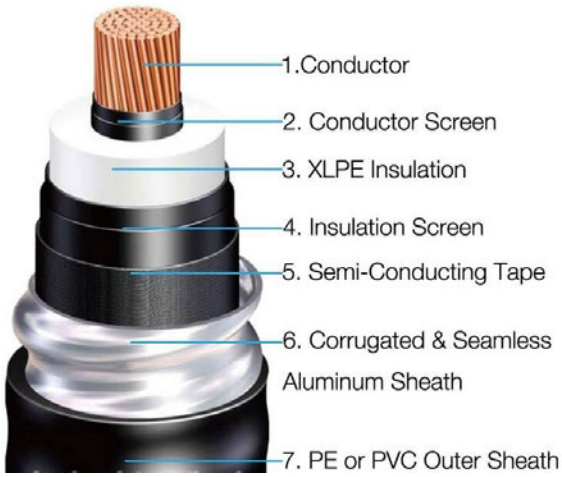
Together, the project scope for Marinus Link consists of:

- Two point-to-point symmetrical monopoles that adopt Voltage Source Converter (**VSC**) Modular Multilevel Converter (**MMC**) technology between Tasmania and Victoria. Each interconnector is operated at 750 MW continuous capacity and a nominal voltage of ±320 kV.
- Each point-to-point symmetrical monopole will consist of:
    - A grid connection to TasNetworks' existing 220 kV AC grid via a new 220 kV AC GIS substation and new 220 kV lines to be installed by others.
    - A converter station located in Heybridge, Tasmania.
    - An HVDC submarine cable system using cross linked polyethylene (XLPE) cable technology of approximately 255 km across Bass Strait between end terminations in the Heybridge converter station in Tasmania and a transition joint in Waratah Bay, Victoria, located approximately 200 m inland from the sand dunes.

- An HVDC land cable system using XLPE cable technology of approximately 90 km through Gippsland in Victoria between end terminations in the Hazelwood converter station and the transition joint located at Waratah Bay.
- A fibre optical telecommunication submarine cable system along the route of the HVDC submarine cable system.
- A fibre optical telecommunication land cable system along the route of the HVDC land cable system.
- A converter station located in Hazelwood, Victoria.
- A grid connection to AusNet's existing 500 kV Hazelwood terminal station.

The structure of HVDC subsea cables includes a central conductor surrounded by an insulation, armouring and external sheath. Additional elements such as semi-conducting tape and insulation screens are used to interface between the various layers, as shown in Figure 6.

Figure 6: Components of an HVDC cable



The Eastern symmetrical monopole is defined as Marinus Link Stage 1. The Western symmetrical monopole will be commissioned during Stage 2. The approximate spacing distance between the HVDC submarine cable system and HVDC land cable system for Stage 1 and Stage 2 are expected to be as follows:

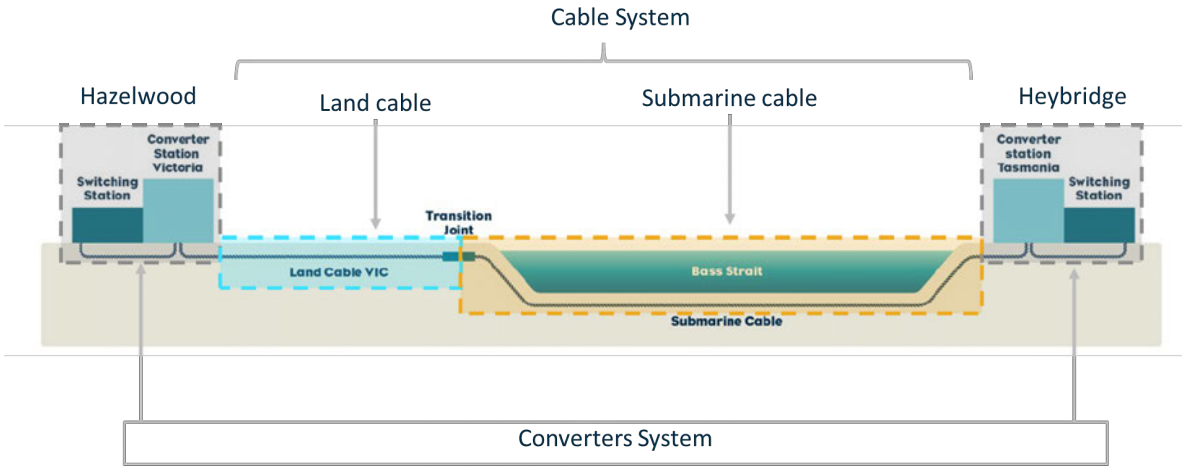
- HVDC Submarine Cable System – approximately 2 km apart.
- HVDC Land Cable System – approximately 5 m apart.

The converter stations will include electrical design, building and civil works design and installation.

3.2 Stage 1 scope of works – HVDC cable systems

Stage 1 construction works consist of the cable system and the converters system, as shown in Figure 7 below.

Figure 7: Stage 1 cable system and converters system



The cable system consists of the submarine cable and the Victorian land cable. It also includes Landfall HDD, which is a construction method that uses a horizontal drill to create a bore hole for the cable under the ground, instead of a trench.

In relation to the Stage 1 cable system construction works, Stages 1 and 2 are fully independent installations with the following exceptions:

- Spare parts storage facilities are to be common across both symmetrical monopoles.
- The Stage 1 fibre optical telecommunication submarine and land cable system will be used by Stage 2 as a redundant communication pathway between the converter stations at both ends.
- The Stage 2 fibre optical telecommunication submarine and land cable system will be used by Stage 1 as a redundant communication pathway between the converter stations at both ends.

Key assumptions and requirements underpinning the definition of Stage 1 cable system works are as follows:

- Construction activities, maintenance, switching operations or any other activities undertaken during construction, operation, or decommissioning performed on either Stage 1 or Stage 2 must not require an outage of the other stage or result in an unplanned outage.

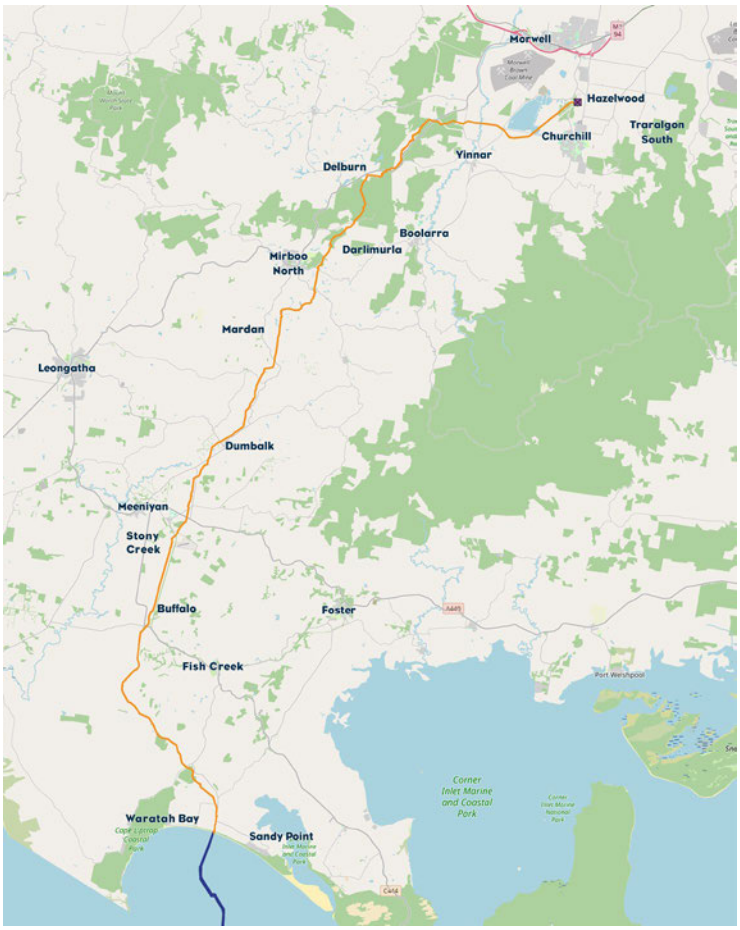
- The design and installation of the fibre optical cable must assume bundled laying with the power cables of the HVDC submarine cable.
- The fibre optical cable and power cable must be installed in separate conduits for the majority of the land installation.
- The transition from submarine to land installation must be facilitated by horizontal direct drilling (HDD).
- There will be 3 HDPE pipes installed via HDD for each Stage (2 for the HVDC cables plus 1 spare). The conduits for Stage 2 will be installed during Stage 1 construction works.
- Cable joint bays for Stage 1 only will be constructed during Stage 1 works.

The scope of Stage 1 cable system works includes the following:

- All studies, engineering work, design activities, calculations, drafting of documents, notes, reports and drawings to ensure the safe construction and reliable operation of the Stage 1 HVDC submarine cable system and HVDC land cable system and containment system of Stage 2.
- Site surveys, route preparations and civil works associated with the cable containment system and civil infrastructure for both Stage 1 and 2, including landfalls at both Heybridge, Tasmania and Waratah Bay, Victoria (i.e. two identical trenches in parallel, capable of achieving a 750 MW rating per stage).
- Manufacturing and supply of power cables, earthing system and fibre optical telecommunication cables used for the cable monitoring systems and communication between converter stations.
- Activities such as design, manufacturing, factory testing, supply, transport, logistics, mounting and installation, site testing, commissioning, all cables, accessories, tools, equipment, spare parts, cable monitoring devices, components, systems and sub-systems constituting the Stage 1 HVDC submarine cable system and Stage 1 HVDC land cable system to ensure the safe and reliable operation of Stage 1.
- Training of the owner’s personnel in fault finding and use of equipment, jointing and installation procedures, cable design and maintenance requirements.

Figure 8 shows the proposed route for the Victorian land cable.

Figure 8: Proposed land route in Victoria



The scope of land cable works in Victoria includes:

- Detailed civil design.
- Construction permits.
- Construction of temporary access roads, fencing and construction roads.
- Trench excavation and removal of excess material.
- Topsoil stripping and stacking.
- Installation of ducts, including jointing and sealing of individual pipe sections as required.
- Establishment of laydown areas, temporary storage areas and work sites.

- Provision of all temporary required auxiliary services such as power connection, fresh water, sewage, and telecommunication links.
- Installation of HDD ducts along the cable route at approximately 56 sites.
- Re-excavation (if required), cutting and clearing of ducts.
- Construction and installation of joint bays and inspection bays at approximately 78 sites.
- Backfill and reinstatement of the land cable route with specific backfill material, native soil and topsoil as required, and site tidy up.
- Recovery of all equipment, reinstatement and repair of public roads.
- Packaging, supply of cable reels, transport to and delivery on site of the material including obtaining all authorisations.
- Biodiversity, ensuring that we comply with our compliance obligations at the lowest total cost.
- Reloading and returning of empty cable reels to the cable factory.

3.3 Stage 1 scope of works – Converters system

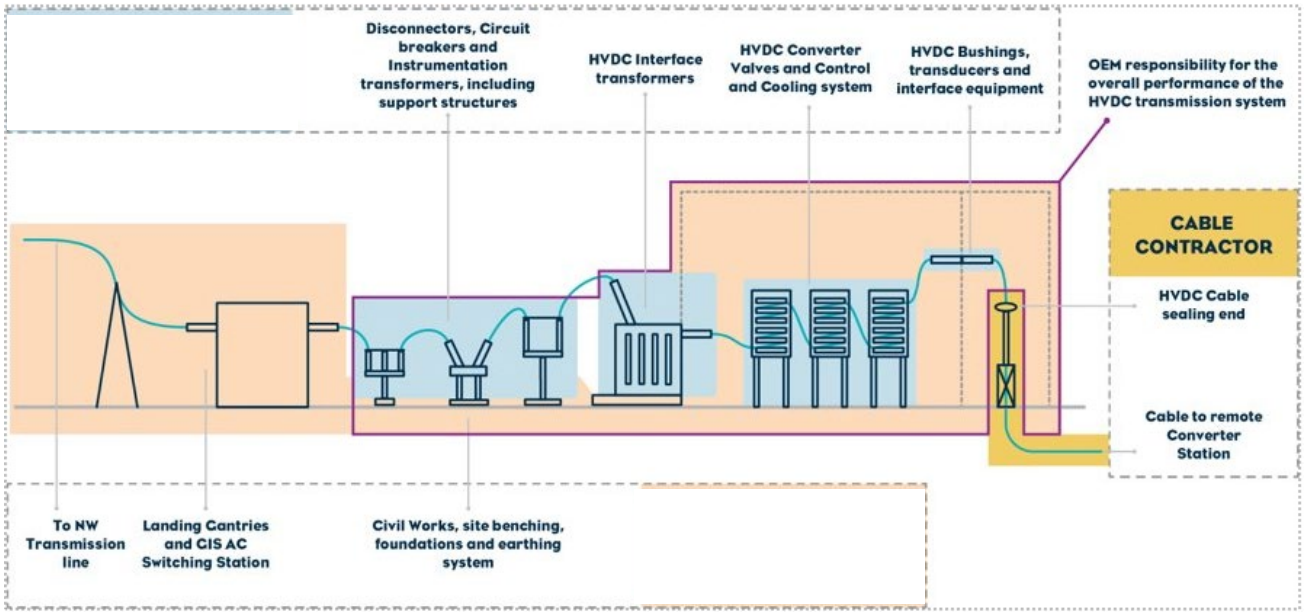
The indicative layout of the Tasmanian converter station is shown in Figure 9 below.

Figure 9: Indicative layout of Heybridge converter station

Key assumptions and requirements underpinning the definition of Stage 1 converters system works are as follows:

- Stages 1 and 2 will be designed, planned, manufactured, constructed and commissioned in such a way to ensure that the operation of the two stages is fully independent, with no common point of failure.
- The fibre optical telecommunication submarine and land cable system of Stage 1 can be used by Stage 2 as a redundant communication pathway between the converter stations at both ends.
- The installation of Stage 1 and Stage 2 is arranged to share a common site compound at each end.
- Activities (other than commissioning) undertaken on Stage 2 must not require a planned outage or cause an unplanned outage of Stage 1.
- Earthworks and site benching will be performed for the whole footprint of Stage 1 and Stage 2 during Stage 1 works. Stage 2 areas will be properly covered to avoid any erosion and any other environment or safety risk.

Figure 10: Cross section of typical converter station



The converters system scope of works includes the following:

- All electrical, civil, structural, and building design works and associated studies to allow for the safe and reliable construction and operation of the Stage 1 converter stations.
- All power system studies and equipment studies.

- Design and engineering of the converter station primary and switchyard equipment.
- Design, engineering and dimensioning of components.
- Design of sub-systems (e.g. SCADA system, auxiliary power supply system, fire detection and protection system, etc.).
- All design, manufacturing, factory testing, supply, transport, instruction, installation supervision of supplied equipment, commissioning, defects resolution, and interface management.
- Building permits.
- Site preparation and establishment including fencing and site security.
- Below ground civil works, including foundations for buildings and outdoor equipment.
- Buildings and structures.
- Drainage and environmental protection works.
- Equipment installation and site wiring, including pre-commissioning.
- HVAC, fire protection, and security systems.
- Design of civil infrastructure and mechanical systems.
- Civil and structural engineering.
- Mechanical and steel construction.
- Technical building services.
- Infrastructure, outdoor area with auxiliary equipment within the converter area.
- Indoor and outdoor spares storage.
- Installation of the main converter interface transformers and main converter valves.
- Specification of requirements and plans for operation and maintenance.
- Training, documentation and presentation.
- Configuration and testing of the control and protection and SCADA system.

- Factory acceptance tests of the control and protection system.
- Electrical installation supervision.
- Installation and connection of equipment, devices, installations, infrastructure, subsystems, and components.
- Commissioning and trial operation of the converters including all subsystems.
- Establishment and documentation of all interfaces with the Stage 1 HVDC cable system, and the AC transmission grids in Tasmania and Victoria.
- Performance of on-site acceptance tests.
- Landscaping, road finishing and clean-up.

3.4 How will the work be delivered?

The scope of work described in this chapter has provided a high-level description of the construction work required to deliver Stage 1, which has been explained in terms of:

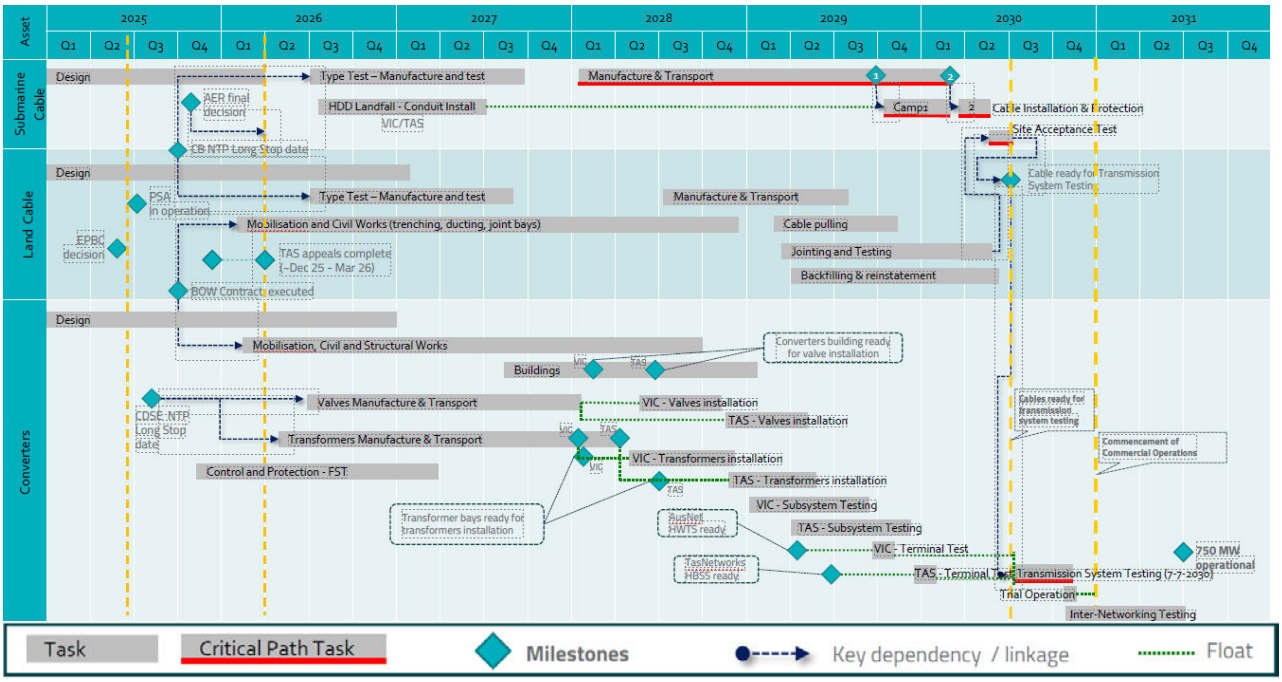
- HVDC cable systems; and
- Converters system.

It does not follow, however, that two service providers should be appointed – one for HVDC cable systems and one for converters system. Instead, the procurement strategy should be designed to:

- Establish works packages that encourage participation in each tender process and maximise competitive tension between prospective service providers; and
- Provide extensive information to tenderers so that risks can be identified, allocated, mitigated and priced efficiently.

As explained in the next chapter, MLPL's procurement strategy is to conduct tenders for three works packages as this approach is considered most likely to achieve the most prudent and efficient outcome for customers in terms of cost, service performance and risk. Figure 11 provides an overview of the manufacturing, construction and commissioning phase plan for Marinus Link, which the key milestones in delivering the project.

Figure 11: Manufacturing, construction and commissioning phase plan for Marinus Link



4. Procurement strategy

Key Points:

- MLPL has developed a robust procurement strategy to ensure that the scope of works described in Chapter 3 is delivered prudently and efficiently.
- The market conditions are especially challenging, as the international demand for HVDC projects has increased markedly. These challenging market conditions are factored into our procurement strategy.
- The central component of the procurement strategy is a competitive tender process for the cables, converter station equipment and Balance of Works. The overarching objective of our procurement strategy is to deliver the best outcome for customers by maximising the competitive tension between prospective service providers.
- The design and execution of the procurement strategy in terms of work packaging and contractual models has been informed by feedback from detailed consideration of the market for different services and feedback from prospective service providers.
- MLPL's Revenue Proposal documented the outcome of the tender processes for converter station equipment and cables, which culminated in the execution of contracts in May and August 2024, respectively. In both cases, the decisions were supported by a Final Evaluation and Recommendation Report, which was endorsed by MLPL's Steering Committee in accordance with the Probity and Evaluation Plan.
- In its Initial Draft Decision, the AER concluded that the procurement processes for converter station equipment and cables were conducted to a high standard, sustained competitive tension, and was consistent with industry norms and with government procurement requirements.
- At the time of MLPL's Revenue Proposal, the Balance of Works tender process had not been completed and, therefore, could not be reviewed by the AER. This tender process has now progressed to the Development Phase, which means that Class 2 cost estimates are able to be provided in this revised Revenue Proposal.

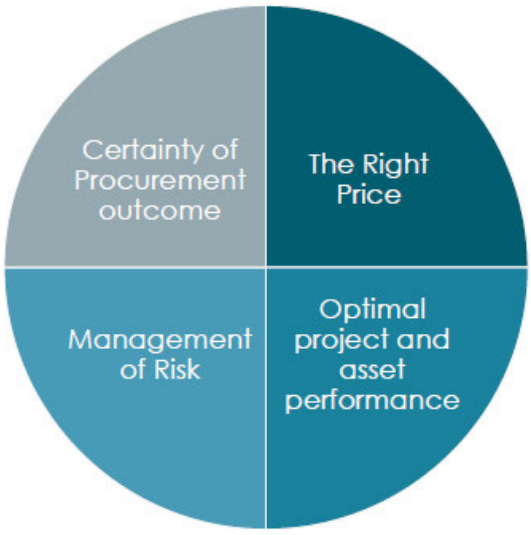
4.1 Strategy development

With the assistance of our external advisers, we have engaged in a rigorous and thorough assessment of relevant considerations in developing the procurement strategy. This included market testing and analysis with potential suppliers, insurance due diligence, site due diligence and risk assessment. The key external advisors who have been engaged in the development of this strategy include:

- Herbert Smith Freehills (Legal and Procurement advice);
- Jacobs (Australia) Pty Ltd, including its key subcontractor Elia Grid International (Engineering and specialist HVDC procurement advice) and previously Mott Macdonald;
- Coffey Services Australia (Environmental advice);
- Lockton Australia (Insurance advice); and
- Probity advisor, O'Connor Marsden & Associates.

In preparing the procurement strategy, we have sought to achieve an optimal life cycle cost for project delivery by considering the factors depicted in Figure 12 below. This conception of total life cycle costs is consistent with the Rules requirements that our capital expenditure must be prudent and efficient.

Figure 12: Factors in securing lowest total life cycle costs



Having regard to the high-level considerations in Figure 12, the development of the procurement strategy for Marinus Link included the following factors:

- Marinus Link's technical and capacity requirements, and the potential options for addressing them;
- Constraints procurement, including timing requirements, resourcing and budget;
- Complex power system integration challenges and the bespoke nature of the design;
- Regulatory requirements, including the need to ensure that the expenditure is prudent and efficient;

- Project risks and preferred risk allocation, during project delivery and operations;
- Market capacity and capability considerations, including:
  - competition within the relevant market;
  - cable manufacturing capacity;
  - track record of prospective service providers;
  - metal price volatility;
  - fuel price volatility;
  - vessel availability;
  - competing projects and the challenge of obtaining and retaining resources;
  - strategic pricing;
  - supplier credit risk (for cable supply/install); and
  - supply chain capacity.
- Land access arrangements and site conditions; and
- Marine conditions and options for project delivery at sea.

In summary, Marinus Link is a highly complex and challenging project that must be managed through an effective procurement strategy. Further details on our approach is set out in the remainder of this chapter, with additional information provided in Attachments 1, 2 and 3 in relation to the converter station equipment, cable tender processes and Balance of Works.

4.2 Challenging market conditions

The demand for HVDC installations has increased substantially over the last decade and has coincided in large part with Europe's shift towards renewable energy. This has led to challenging market conditions, as major original equipment manufacturers (**OEMs**) are experiencing very high demand.

As a consequence of a change in relative negotiating positions, OEMs are exhibiting behaviours such as:

- **Quality of bids and offers**: the quality and completeness of bids, both non-binding and binding, has steadily deteriorated with less details provided upfront, missing information, more deviations from formatting and content requirements imposed by procurement processes and less responsiveness from OEMs to engage with project owners and respond to questions.

- **Preferred supplier**: OEMs are reluctant to participate in traditional competitive tenders, preferring instead to invest resources only if exclusivity is guaranteed.

- **Standardisation**: OEMs prefer to offer a standard product rather than a custom-built installation.

- **Core scope**: OEMs are retreating from taking the position of EPC contractor and refocusing instead on design and supply of components.

- **Commercial terms**: OEMs are reluctant to take on risks associated with price, interfaces, liabilities, and liquidated damages and push for less favourable terms and conditions when viewed from the perspective of the project owner.

- **Constraints**: the availability of engineering and project resources and the supply of certain components (e.g., transformers) has become a clear bottleneck.

- **Project Timelines**: OEMs are pushing for shorter procurement timelines, if they are willing to participate at all, and seek longer implementation timelines to account for the scarcity of resources, reduce timeline risks, and prefer to secure orders sooner.

- **Focus on Notice-to-Proceed / Capacity Reservation Agreements**: OEMs will require an early commitment of funds upfront via a formal notice to proceed or capacity reservation agreements to reduce risk exposure to projects that might terminate for one reason or another and avoid any situation where OEMs need to pre-finance goods, services or components.

These behaviours and the associated market conditions need to be considered in developing a procurement strategy, which is summarised in the next section. In particular, while market conditions are less favourable to MLPL than may typically be the case, it is possible to develop a procurement strategy that mitigates the impact of these conditions as far as practicable.

4.3 Procurement strategy

Our procurement strategy is explained in further detail below. The strategy has been developed having regard to the considerations described in the previous two sections, with the objective of delivering the lowest life cycle costs on behalf of customers.

4.3.1 Work packaging

In order to achieve the lowest cost outcome for electricity customers, it is essential to package the work to maximise competitive tension between service providers, having regard to the matters described in the previous section.

In developing the work packages, we have divided the project into three principal elements:

- Cable system – submarine and underground;
- Converter station equipment; and
- Balance of Works, which includes the converter station building works and land civil works.

The identification of these three packages has been driven by market capability and appetite, the need to provide for local content opportunities and our desire for pricing transparency. The proposed packaging split has been tested with the pre-qualified suppliers and is designed to maximise competitive tension between prospective service providers. In designing the tenders, MLPL retained a discretion to combine packages to optimise risk allocation and price at any time prior to awarding a contract, so that we maintained agility to respond to new information or changing circumstances.

Further detailed information on the rationale for the packaging decisions are set out in Attachments 1-3 to this revised Revenue Proposal. To explain the packaging decisions as succinctly and clearly as possible, Attachment 1 focuses on converter station equipment, Attachment 2 discusses the cables system, and the Balance of Works is addressed in Attachment 3.

The Balance of Works tender has recently progressed through the Development Phase with two shortlisted bidders, which has enabled Class 2 cost estimates to be provided for the first time in this revised Revenue Proposal. The tender processes for converter station equipment and cable system tenders were concluded at the time of our Revenue Proposal and have been reviewed by the AER in its Initial Draft Decision. The AER concluded that these processes were conducted to a high standard, sustained competitive tension, and were consistent with industry norms and with government procurement requirements. For completeness and to assist stakeholders in understanding MLPL's procurement approach, the information presented in the Revenue Proposal in relation to these works packages is reproduced in this revised Revenue Proposal.

4.3.2 Contractual models

We assessed nine different contractual models for their suitability, given the scope of work and our packaging approach. Of these nine contracting models, we conducted a more detailed review of three models, as being the most suitable for MLPL's circumstances:

- **Engineer, Procure, Construct (EPC)**

  Under this model, the contractor is engaged to design, build and deliver the asset. Functionality requirements are determined by the owner. The contractor is responsible for satisfying the technical and cost brief generally with minimal client input.

- **Design and Construct (D&C)**

  Under this model, a single head contractor is engaged to manage the detailed design and construction of the works.

- **Incentivised Target Cost (ITC)**

  This model includes a combination of fixed price and reimbursable cost items. A target cost is developed based on shared risk allocations between the contractor and client. The target cost will include a lump sum component and reimbursable cost component.

Following detailed analysis and expert advice, MLPL has concluded that an EPC contract form is preferred for converter station equipment and cable system work packages. MLPL concluded that an ITC contracting approach was appropriate for the BOW tender, given the risks involved and the feedback from prospective service providers. A key benefit of the ITC model is that it provides incentives to the service provider to deliver the project efficiently, while appropriately managing the forecasting risks between the service provider and MLPL.

4.3.3 Interface Agreement

The effective management of interface risks requires contractual and governance arrangements to ensure that the service providers work together to deliver the best outcome for customers. In this regard, MLPL has set

out its minimum requirements[31] in relation to interface management between its contractors, which requires each party to develop an interface management plan which:

- Includes a framework and process detailing how interfaces will be managed, comprising the identification, agreement, prioritisation, monitoring, reporting, resolution and close-out of interfaces;
- Details how interface registers will be updated to ensure effective and efficient close-out of existing interfaces and treatment of new interfaces; and
- Details procedures, meetings and coordination channels required to manage the interfaces in accordance with MLPL's requirements and interface registers.

MLPL considers that these contractual arrangements will promote prudent and efficient outcomes by ensuring that the interfaces between the contractors and MLPL are actively managed. The management of interface risks will also be enhanced by MLPL's delivery approach, which involves the engagement of an IDP that is able to apply systems and processes to manage the delivery of major infrastructure projects such as Marinus Link.

4.3.4 Risk allocation and insurance

Following the completion of each tender process, MLPL undertakes an extensive negotiation with the preferred supplier or suppliers in order to finalise the outstanding issues. One of the matters that is central to these negotiations is the efficient management and allocation of risk, so that the total costs to electricity customers is minimised. For residual risks that cannot be efficiently allocated to service providers, MLPL will consider whether it would be prudent and efficient to procure insurance or manage these risks in-house.

4.3.5 Hedging strategy

Hedging uses derivative products to reduce exposure to the volatility and unpredictability of foreign exchange and commodity markets, by providing a fixed exchange rate or commodity price for a future cash flow.

The use of hedging can provide several benefits to MLPL, including:

[31] Marinus Link, Interface Management, DAS 4B1, April 2024.

- Mitigating the risk of adverse foreign exchange and commodity movements that may affect performance and profitability.
- Enhancing planning and forecasting by reducing uncertainty and aligning budget / forecast costs with realised costs.
- Improving cash flow management by ensuring the project has sufficient funds in the required currencies to meet future obligations.
- Increasing competitiveness and attractiveness by offering more certainty and transparency to stakeholders.

In order to develop a prudent and efficient hedging strategy, it is essential to undertake quantitative analysis to examine the sensitivity of the project construction costs to changes in various commodity prices and currencies. This analysis will reflect the terms of the executed contracts for converter station equipment and cables system, which include adjustments for the various commodities and foreign exchange, including:

- LME Copper, LME Aluminium, LME Lead, and Bunker Fuel; and
- Euro, US dollar, and Swedish Krona.

In order to hedge the risk exposure prudently and efficiently, alternative options and instruments need to be assessed noting that some strategies may not fully de-risk the project but may achieve the best outcome for customers.

Given the specialist nature of this task, MLPL has obtained advice from Chatham Financial, a leader in financial risk management, to advise on the hedging principles and strategy that should guide MLPL's approach to managing foreign exchange and commodity risk. In accordance with that advice, MLPL's hedging strategy will be executed in two stages delineated by the expected date of the Notice to Proceed (**NTP**), which is the contractual commitment to proceed with the converter station equipment and cable systems works. The two stages of MLPL's hedging strategy, therefore, relate to the pre- and post-NTP periods.

As MLPL is currently in the pre-NTP period, hedging has already been undertaken in relation to foreign exchange risk by executing an outright foreign exchange forward and some commodity risks, in accordance with advice received from Chatham Financial. This approach has the benefit of locking in a known amount in Australian dollars which is required at the time of the NTP to fund the supply costs, without incurring upfront hedging costs. Further work will be undertaken before executing MLPL's post-NTP hedging strategy, closer to the date of the NTP. Attachment 6 sets out the advice from Chatham Financial, which provides further background information.

4.4 Planned procurement timetable

Table 9 below sets out the timeline for the Balance of Works procurement strategy, which is the remaining package of works where contracts have not yet been executed. As shown in the table, the Target Outturn Cost (TOC) has been established though the completion of the first part of the Development Phase. The timetable to on track for contract execution in October 2025.

Table 9: Balance of Works procurement milestones

Milestone	Date	Status
Balance of Works - Issue RFP to market	13-Sep-24	Complete
RFP submissions received	28-Oct-24	Complete
RFP evaluation finalised	2-Dec-24	Complete
Board approval for release of RFO / Development deed signed with 2 respondents	20-Dec-24	Complete
Development phase commences (RFO)	10-Jan-25	Complete
Interim TOC received (week 12)	11-Apr-25	Complete
Market Tested TOC received (week 16)	9-May-25	Complete
Delivery Phase offers received (week 20)	6-June-25	Complete
Balance of Works Contract Execution	Oct-25	On Track

5. Forecast capital expenditure

Key Points:

- Our forecast capital expenditure relates to the costs of constructing the first cable and undertaking the necessary works in readiness for the second cable. It also includes pre-construction costs incurred prior to 1 July 2025, which were excluded from our early works expenditure.
- At the time of preparing this revised Revenue Proposal, the competitive tender processes for each of the three works packages – cable system, converter station equipment and Balance of Works – have been completed. While contracts have been executed for the first two works packages, negotiations for Balance of Works are on-going. As a consequence, the Balance of Works cost estimates are commercially sensitive and, therefore, this chapter does not provide a detailed breakdown of our forecast capital expenditure beyond that presented in our earlier Revenue Proposal.
- Further detailed information on our forecast expenditure is provided in Attachments 1 to 9, including explanations as to why our forecasts for each expenditure category satisfy the prudency and efficiency requirements in the Rules.

5.1 Capital expenditure forecasting methodology

In preparing the expenditure forecasts in this revised Revenue Proposal, we have had regard to the Rules requirements; the AER's Better Resets Handbook[32]; and the AER's expenditure forecast assessment guidelines for electricity transmission.[33] MLPL's executive team and Board has conducted an extensive review of management's forecasts, including through the engagement of external advisors, to ensure that the bottom-up forecasting approach adopted by management has been combined with a 'top-down' discipline to produce forecasts that are prudent and efficient. MLPL has also engaged Aurecon Advisory to conduct an independent assessment of the forecast expenditure, which includes a consideration of benchmarking analysis, and is published as part of this revised Revenue Proposal. As detailed in Attachment 9 of this revised Revenue Proposal, Aurecon Advisory's findings support the prudency and efficiency of MLPL's capital expenditure forecasts.

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32 AER, Better Resets Handbook Towards Consumer Centric Network Proposals, July 2024.

33 AER, Expenditure Forecast Assessment Guideline for Electricity Transmission, October 2024.

MLPL's capital expenditure forecasting methodology varies across the project cost categories as follows:

- **Converter Station Design and Equipment Supply**

  The forecast for this expenditure category reflects the outcome of the competitive tender process as explained in the previous chapter, which culminated in the executed contract with Hitachi Energy on 1 May 2024. The scope of works was developed during the early works phase of the project and refined through our engagement with prospective service providers. As part of our Revenue Proposal, Aurecon Advisory reviewed the scope of works as part of its review of our expenditure forecasts, having regard to industry benchmarks and their own expertise.

  To estimate the forecast changes in contract costs over the duration of the regulatory period, MLPL has applied the relevant indices specified in the contract. MLPL has adopted the forecast price indices as advised by Oxford Economics, as presented in Attachment 8.

  This component of our expenditure forecasts is substantially unchanged from the Revenue Proposal, with the exception of updates to reflect minor variations and changes in exchange rates and price indices. Aurecon Advisory has provided an updated assessment of these costs in Attachment 9, and confirms their previous findings regarding the reasonableness of the forecast expenditure.

- **HVDC Cable System – Submarine and Land Cables**

  MLPL's forecasting approach for this expenditure category is aligned with the converter station equipment approach described above, noting that the contract for these works was executed with Prysmian Powerlink on 1 August 2024. As noted in relation to Converter Station Design and Equipment Supply, this component of our expenditure forecasts is also substantially unchanged from the Revenue Proposal, with the exception of updates to reflect minor variations and changes in exchange rates and price indices. We have relied on Oxford Economics to forecast the future movement in these price indices, as set out in Attachment 8.

  Aurecon Advisory's updated review of our forecast expenditure is provided in Attachment 9, having previously reviewed the scope and forecast capital expenditure as part of our Revenue Proposal.

- **Balance of Works**

  The forecast reflects the outcome of the tender process, which has now progressed to the Development Phase with two shortlisted bidders. These expenditure forecasts are closely aligned with the estimated costs submitted in our Revenue Proposal, which were developed by independent consultants TBH. Aurecon Advisory has undertaken a detailed review of the forecast expenditure for Balance of Works presented in this revised Revenue Proposal, having regard to industry benchmarks

and their own project-related experience. In commenting on the prudency and efficiency of the proposed expenditure, [redacted]

- **Support Activities and IDP costs**

MLPL has developed this component of the forecast on a 'bottom up' basis, having regard to the scope of work to be completed; the project schedule; the contractual terms and conditions for the IDP; development of an organisational structure and Resource Model; and expert input from MLPL's service providers. The unique nature of the project and MLPL's particular circumstances, as a single project TNSP, make it challenging to establish benchmarks for the various sub-categories that comprise the support activities.

The labour costs have been established with reference to existing pay rates and benchmark estimates for new roles, escalated in accordance with the labour price indices forecast by Oxford Economics. Oxford Economics forecasts are provided in Attachment 8. MLPL's executive team and Board have applied a 'top down' review to ensure that the forecasts are prudent and efficient.

Aurecon Advisory has undertaken benchmarking where possible to assess the reasonableness of the forecasts, and its report is provided as Attachment 9 to this revised Revenue Proposal. As explained in that report, Aurecon Advisory has examined each category of expenditure, reviewed the scope and assessed the reasonableness of the forecast expenditure having regard to industry benchmarks where applicable. For each category of expenditure, Aurecon Advisory has concluded that MLPL's forecasts reflect an appropriate scope and cost estimate.

Risk Allowance

An estimate of the risk allowance has been prepared by external consultants, E3 Advisory, in accordance with the AER's guidance note[34]. As explained by E3 Advisory, the risk allowance has been updated from the information that we presented in the Revenue Proposal, as the Balance of Works tender has now progressed to Class 2 estimates following a comprehensive review of the project scope and residual risks through a collaborative process with the two shortlisted bidders.

Aurecon Advisory has assessed the risk allowance as part of its review of MLPL's capital expenditure forecasts. In its report, Aurecon Advisory comment that the aggregate contingency falls comfortably

[34] AER, Regulation of actionable ISP projects, Guidance Note, March 2021, section 2.6.

within the range of benchmarks observed for HVDC projects internationally on a percentage of capital expenditure basis. The median of the reference projects identified had an aggregate risk allowance of [redacted], with the average being [redacted].

- **Inclusion of costs in readiness for Stage 2**

  MLPL has included the costs of civil works and HDD in preparation for Stage 2 as part of the Stage 1 works. In response to an information request from the AER following the submission of the Revenue Proposal, MLPL provided detailed analysis to show that the total expected costs to customers is minimised by undertaking those enabling works as part of Stage 1. We also noted that this approach avoids the significant disruption to landholders and the negative impact on the project's social license if the civil works were staged. In relation to the Stage 2 enabling works, the CAP also emphasised the importance of maintaining social license and minimising landholder disruption.

  The latest information from the Balance of Works tender process indicates that the costs of the Stage 2 enabling works is [redacted]

  Attachment 3 to this revised Revenue Proposal, which addresses the Balance of Works costs includes an updated cost-benefit analysis in relation to the enabling works on a confidential basis. Aurecon Advisory reviewed the analysis provided to the AER in November 2024 and concluded that it is likely to be prudent to undertake the enabling works as part of Stage 1, as demonstrated in the NPV assessment. Aurecon Advisory also commented that completing this work in Stage 1 is likely to reduce mobilisation costs (as contractors do not need to return to the same project site and can deliver materials and equipment only once), and enable MLPL to obtain a more competitive tender outcome. As already noted, the case for proceeding with the enabling works [redacted].

MLPL considers that the above forecasting methodology, combined with the extensive review of the forecasts prepared by management, has produced capital expenditure forecasts that are prudent and efficient, in accordance with the Rules requirements.

5.2 Capital expenditure forecasts

Table 10 below provides a summary of our capital expenditure forecasts for the construction activities to 30 June 2030.

Table 10: Forecast construction expenditure ($m real 2023)[35]

Category	Pre-period[36]	2025-26	2026-27	2027-28	2028-29	2029-30	Total
Converter Station Design and Equipment Supply*	99.7	104.2	338.9	95.6	79.5	55.3	**773.2**
HVDC Cable System – Submarine and Land Cables*	51.6	93.7	118.2	134.3	370.8	150.4	**918.9**
Balance of Works*	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Support Activities*	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Risk Allowance*	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total expenditure	**151.3**	**465.2**	**1,040.2**	**839.8**	**691.0**	**337.4**	**3,524.9**

* This cost information is commercially sensitive and has been redacted for the purposes of this revised Revenue Proposal.

In preparing the forecast capital expenditure, MLPL has focused on satisfying the capital expenditure criteria in clause 6A.6.7(c) of the Rules which requires our forecast expenditure to be prudent and efficient, as explained in the previous section. MLPL has provided detailed information to explain why our forecasts satisfy these requirements in the following attachments:

- Attachment 1 – Converter station design and equipment supply;
- Attachment 2 – HVDC Cable system – submarine and land cables;
- Attachment 3 – Balance of works;
- Attachment 4 – Support activities;
- Attachment 5 – Insurance[37];

[35] The expenditure forecasts exclude final milestone payments and commissioning costs, which will occur during the financial year commencing 1 July 2030. The milestone payments and commissioning costs are estimated to be $120 million.

[36] Includes pre-construction expenditure incurred prior to 1 July 2025.

[37] This cost has been included in the 'support activities' category in Table 10. An independent expert report has been provided in Attachment 5 to explain the expenditure forecast.

- Attachment 6 – Hedging[38];
- Attachment 7 – Risk allowance; and
- Attachment 8 – Labour and contract escalation rates.

As already noted, Aurecon Advisory has provided a detailed review of the reasonableness of our forecasting methodology and resulting forecasts, which is provided in Attachment 9. MLPL considers that Aurecon Advisory's report, together with the detailed information presented in Attachments 1-8, demonstrate that our forecast expenditure is prudent and efficient.

5.3 Key assumptions

In preparing our forecast capital expenditure, MLPL has made the following assumptions:

- Project Marinus continues to remain on AEMO's optimal development path;
- Any changes made to the ownership structure or composition of MLPL will not have any impact on environmental approval processes and/or the revenue determination process;
- There are no changes to MLPL's regulatory or legal obligations that lead to a change in the project timeframes or costs;
- There are no changes to the project design or timeframes as a result of factors beyond MLPL's control;
- Outstanding approvals including environmental and offshore electricity infrastructure licence approvals being received in a reasonable time with reasonable conditions in accordance with MLPL's project plans;
- The Notice to Proceed conditions for major package contracts being satisfied by 31 August 2025;
- Managing project delivery will be undertaken by MLPL and the appointed IDP in accordance with the project plan;
- There are no changes required by service providers or prospective service providers that require rework of the technical designs and specifications or environmental impact assessments;

[38] An independent expert report has been provided in Attachment 6 to explain the hedging principles and strategy, as advised by Chatham Financial.

- The AER accepts MLPL's proposal that pass-through provisions should apply as specified in this revised Revenue Proposal;
- The availability of service providers, plant or materials are not adversely affected by matters beyond MLPL's control;
- Project construction is not adversely affected by unforeseen factors or events;
- Stakeholders, including Tasmanian, Victorian and Federal governments and AEMO, continue to support the urgent delivery of Project Marinus; and
- The Balance of Works terms and conditions are negotiated successfully in accordance with tender responses received and MLPL's timeframes.

If any of the above assumptions are not satisfied, our expenditure forecasts may be subject to change.

5.4 Status of MLPL's forecast expenditure

As explained in the previous chapter, MLPL has executed contracts for cable systems and converter station equipment; progressed the Balance of Works tender to enable a Class 2 cost estimate to be established, and contracted with an IDP service provider. The estimated costs of the executed contracts for cable systems and converter station equipment will continue to be updated as a result of variations, changes in the exchange rate and price indices. In relation to the Balance of Works, negotiations on the final terms and conditions have not been completed and, therefore, the forecast costs presented in this revised Revenue Proposal may be subject to change. MLPL will update these forecasts in response to the AER's supplementary Draft Decision.

It is also noted that there are linkages between the Balance of Works tender outcome, the risk allowance and MLPL's support activities. As explained by E3 Advisory in Attachment 7 of this revised Revenue Proposal, the risk allowance has been updated from the Revenue Proposal now that the Balance of Works tender has progressed through the Development Phase, MLPL's residual risks are better understood. At this stage, MLPL does not expect these risks to be modified once the terms and conditions for the Balance of Works are finalised.

MLPL also notes that there may be other minor updates to its expenditure forecasts following the AER's publication of its supplementary Draft Decision including, for example, MLPL's hedging and insurance costs. MLPL will explain any changes (positive or negative) to its forecast capital expenditure from those presented in this revised Revenue Proposal, together with supporting information to explain the reasons for those changes. At this stage, MLPL expects these changes to be modest and would not lead to any significant rework by the AER.

6. Allowed rate of return and inflation forecast

Key Points:

- This chapter sets out MLPL's estimate of its allowed rate of return by applying the AER's 2022 Rate of Return Instrument (RORI).
- The allowed rate of return is required to calculate MLPL's RAB during the first regulatory period, which is then capitalised into MLPL's regulatory asset base (as revenue will not be recovered from customers until the regulatory period commencing 1 July 2030).
- The AER's Initial Draft Decision accepted MLPL's approach to estimating the allowed rate of return in its Revenue Proposal, with adjustments for the latest market data. For the purpose of this revised Revenue Proposal, MLPL has adopted the allowed rate of return estimated in the AER's Initial Draft Decision. With the exception of these changes, and updated inflation forecasts, the information presented in this chapter is unchanged from the Revenue Proposal.

6.1 Application of the 2022 RORI

For MLPL's first regulatory period, an allowed rate of return is required for the purpose of capitalising the return on capital so that this capitalised amount can be included in MLPL's RAB. MLPL's allowed rate of return will be determined in accordance with the AER's 2022 RORI.

The AER's 2022 RORI defines the allowed rate of return as follows:

kt = (1-G) x ke + ktd x G

where:

kt is the rate of return in regulatory year t;

ke is the allowed return on equity for the regulatory period and is calculated in accordance with clause 4 of the instrument;

ktd is the allowed return on debt for the regulatory year t, and is calculated in accordance with clause 9 of the instrument; and

G is the gearing ratio and is set at a value of 0.6.

For completeness, MLPL also supports a value of imputation credits, known as gamma, of 0.57 in accordance with the RORI. However, MLPL will not be earning any revenue during the first regulatory period and, therefore, it is unnecessary to apply gamma to determine the regulatory tax allowance (which will be zero).

In our Revenue Proposal, we calculated placeholder annual rates of return for future years by applying the relevant interest rates and parameters. Table 11 below shows the relevant parameters and interest rates for the first year of the regulatory period, i.e., 2025-26, updated to reflect the AER's Initial Draft Decision.

Table 11: AER rate of return 2025 update

Parameters	Value
Risk free rate	4.47%
Equity beta	0.60
Market risk premium	6.20%
Return on equity	8.19%
Cost of debt trailing average	3.46%
Gearing ratio	60%
Gamma	0.57
Rate of return (nominal vanilla)	**5.36%**

The cost of debt trailing average is derived by applying the cost of debt annual update to the calculation. MLPL's cost of debt trailing average is subject to a ten year transition period with the first year of the transition period being 2021-22 in accordance with the AER's determination for early works. The full ten year trailing average will occur in 2030-31.

Table 12 below shows the actual and indicative rate of return (or weighted average cost of capital) for each year of the regulatory period. The rates from 2026-27 are placeholders at this stage and will be updated throughout the regulatory period with actual rates calculated in accordance with the agreed averaging periods for the cost of debt, as explained in the next section.

Table 12: Actual and indicative rate of return during the first regulatory period 1 July 2025 to 30 June 2030

	2025-26 (Actual)	2026-27 (Indicative)	2027-28 (Indicative)	2028-29 (Indicative)	2029-30 (Indicative)
Actual and indicative rate of return (nominal vanilla)	5.36%	5.59%	5.82%	6.05%	6.28%

6.2 Averaging periods

The 2022 RORI requires the risk free rate and cost of debt to be estimated with reference to averaging periods. We provided details of the averaging periods on a confidential basis as part of our Revenue Proposal. The nominated averaging periods, which the AER accepted in its Initial Draft Decision, remain unchanged and MLPL has not resubmitted them for the purposes of this revised Revenue Proposal.

6.3 Inflation forecast

Our forecast inflation is used to calculate real and nominal dollar values. Our approach to estimating inflation reflects the AER's preferred methodology, which is to apply a linear glide-path from the RBA's published short term forecasts of inflation to the mid-point of the inflation target band (2.5%) in year 5. The annual inflation data is set out in Table 13 below. In this instance, we have adopted the RBA's forecasts for two years, published in its May 2025 Statement on Monetary Policy, followed by a glide-path to year 5. MLPL notes that the AER is likely to update this information as the regulatory determination progresses and new inflation data becomes available.

Table 13: Annual inflation forecasts

	June 2023-24 (actual)	June 2024-25 (forecast)	June 2025-26 (forecast)	June 2026-27 (forecast)	June 2027-28 (forecast)	June 2028-29 (forecast)	June 2029-30 (forecast)
Inflation forecast	3.81%	2.10%	3.10%	2.60%	2.57%	2.53%	2.50%

In relation to nominal data presented in this revised Revenue Proposal for the second regulatory period, we have adopted the mid-point of the RBA's inflation target band, which is 2.5%.

6.4 Concessional finance

In March 2024, the AEMC finalised a Rule change that addresses the process for passing the benefits of concessional finance onto customers through lower transmission revenues.[39] In broad terms, the implementation steps are as follows:[40]

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[39] AEMC, National Electricity Amendment (Sharing concessional finance benefits with consumers) Rule 2024 No. 7.

[40] Clause 6A.3.3.

- A copy of the concessional finance agreement must be provided to the AER within 40 business days of the agreement being entered into;
- Within 40 business days of the agreement being provided to the AER, the AER must make a concessional finance adjustment to MLPL's maximum allowed revenue in accordance with the terms of that agreement (unless the adjustment is conditional on one or more events); and
- If the amount of the concessional benefit varies each year, MLPL is required to notify the AER of the calculation prior to the start of each regulatory year with sufficient time to allow the adjustment to be implemented.

In MLPL's case, we are continuing to work through the details of the concessional benefit with the CEFC and a concessional finance agreement has not been entered into. For that reason, the regulatory process outlined above has not commenced and the amount of the concessional benefit presented in this revised Revenue Proposal is therefore indicative and may be subject to change.

While the details and timing of MLPL's financing arrangements are not yet settled, it is worth noting that depending on the terms of the agreement it may impact:

- MLPL's opening RAB as at 1 July 2025;
- MLPL's opening RAB as at 1 July 2030; and
- MLPL's return on capital in the second regulatory period, commencing 1 July 2030.

MLPL will work with the AER to ensure that the benefits of concessional finance are passed onto electricity customers in accordance with the terms of the concessional finance agreement. The revenue and pricing information presented in Chapter 10 of this revised Revenue Proposal reflect a working assumption regarding concessional finance. It should be noted, however, that these estimates are indicative only, as the concessional finance arrangements have not been settled.

7. Regulatory asset base

Key Points:

- In contrast to other TNSPs, some of MLPL's capital expenditure will occur prior to the commencement of MLPL's first regulatory period. To enable cost recovery, this expenditure will need to be included in MLPL's opening RAB as at 1 July 2025, i.e., at the commencement of MLPL's first regulatory period.
- This chapter sets out our updated RAB as at 1 July 2025 and the forecast RAB for each year of the first regulatory period. MLPL's approach to estimating the RAB in our Revenue Proposal was accepted by the AER in its Initial Draft Decision, and is unchanged in this revised Revenue Proposal.
- The estimated RAB reflects our updated actual and forecast capital expenditure, allowed rate of return and inflation, as detailed in this revised Revenue Proposal and supporting information.

7.1 Issues to be addressed

The RAB is a key input in determining a TNSP's maximum allowed revenue as it drives the return on investment and the return of investment or depreciation. For existing TNSPs, the opening RAB at the start of a regulatory period is calculated using the AER's Roll Forward Model (**RFM**). The RFM commences with the opening asset value at the start of the previous regulatory control period, which is rolled forward by:

- Adding actual or forecast capital expenditure (where actual data is not available) for each year of the previous regulatory control period, net of asset disposals;
- Deducting depreciation on a straight line basis; and
- Adjusting for actual and forecast inflation.

In contrast to existing TNSPs, MLPL does not have an asset value specified in the Rules[41] for inclusion in the opening RAB. In these circumstances, the AER is required to establish an opening RAB that reflects the prudent and efficient value of the assets required to provide prescribed transmission services.[42] The AER's

[41] National Electricity Rules, S6A.2.1(c).

[42] National Electricity Rules, S6A.2.1(d)(2).

determination for our early works expenditure addressed this issue, noting that the annual return on capital will be capitalised and included in the RAB.

This chapter provides the following information in relation to the RAB:

- Our updated forecast of the opening asset base as at 1 July 2025, which is set out in section 7.2; and
- Our roll forward of the RAB over the first regulatory period, being 1 July 2025 to 30 June 2030.

The approach outlined below is consistent with our Revenue Proposal, which has been accepted by the AER's Initial Draft Decision. The capitalisation of the return on capital reflects the allowed rate of return presented in Chapter 6. MLPL will provide a spreadsheet model to accompany this revised Revenue Proposal, which details the calculations presented in this Chapter.

7.2 Regulatory asset base as at 1 July 2025

The table below presents our latest estimate of MLPL's opening RAB as at 1 July 2025. The estimate reflects the AER's findings on the opening RAB in its initial draft determination, adjusted for:

- Updated inflation forecasts on equity raising costs and allowed revenue;
- The Part A (Early works) decision equity raising costs and allowed revenue due to an update of actual December 2024 inflation.
- MLPL's updated forecast early works net expenditure for 2024-25;
- MLPL's updated forecast pre-construction expenditure in 2024-25; and
- Equity raising costs and allowed revenue to account for updated forecast expenditure to 30 June 2025.

The table below sets out this information. As explained in section 8.3, we have not included any CESS bonus or penalty in this calculation as we consider it preferable to apply any bonus or penalty when MLPL commences revenue recovery from customers in the 2030-35 regulatory period.

Table 14: MLPL's opening RAB as at 1 July 2025 ($ nominal)

	1 July 2025
Forecast closing RAB as at 30 June 2025 $m (as per the AER's initial draft determination)	**453.8**

	1 July 2025
Adjustment for updated inflation forecasts on equity raising costs and allowed revenue $m	0.0
Adjustments to the Part A (Early works) decision equity raising costs and allowed revenue due to an update of actual December 2024 inflation $m	0.0
Adjustment for updated forecast early works net expenditure in 2024-25 $m	33.8
Adjustment for updated forecast pre-construction expenditure in 2024-25 $m	-56.8
Adjustments to equity raising costs[43] and allowed revenue to account for updated forecast expenditure to 30 June 2025 $m	-2.1
Forecast opening RAB as at 1 July 2025 $m	**428.7**

The data shown above does not account for the benefit of concessional finance, which may reduce the opening RAB as at 1 July 2025 depending on the details of the concessional finance agreement.

7.3 Regulatory asset base from 1 July 2025 to 30 June 2030

The table below presents our forecast of the opening and closing RAB for each year of the regulatory period on a non-concessional basis. As explained in our Revenue Proposal, the return on capital amount (shown as the MAR in the table below) is capitalised. This approach is consistent with the AER's approach in its determination for early works and the AER's Initial Draft Decision.

Table 15: MLPL's RAB from 1 July 2025 to 30 June 2030 – non-concessional basis ($ nominal)

	2025-26	2026-27	2027-28	2028-29	2029-30
Opening RAB $m	**428.7**	**952.6**	**2,193.5**	**3,302.9**	**4,333.8**
Expenditure (Construction costs) $m	487.8[44]	1,155.3	953.2	805.3	401.8
Allowed rate of return %	5.36%	5.59%	5.82%	6.05%	6.28%

[43] Equity raising costs included in the 1 July 2025 Opening RAB have been calculated based on the forecast pre-construction and construction expenditure to the end of the first regulatory period and included in the year that the expenditure commences, i.e. 2023-24.

[44] Expenditure is net of deferred early works grant funding of $11.7 million forecast to be received in 2025-26.

	2025-26	2026-27	2027-28	2028-29	2029-30
Allowed return on Opening RAB $m[45]	23.0	53.2	127.6	199.7	272.1
Allowed return on annual expenditure $m[46]	12.9	31.8	27.3	24.0	12.4
Debt raising costs $m[47]	0.3	0.6	1.3	1.9	2.5
Maximum allowed revenue $m[48]	36.1	85.6	156.2	225.7	287.0
Closing RAB $m[49]	**952.6**	**2,193.5**	**3,302.9**	**4,333.8**	**5,022.7**

The RAB roll forward calculation will be updated with actual expenditure, inflation and the allowed rates of return during the first regulatory period to establish the actual closing RAB as at 30 June 2030.

45 Calculated as Allowed rate of return x Opening RAB.

46 Calculated as Allowed rate of return$^{\wedge 0.5}$ x Annual expenditure.

47 Debt raising costs of 0.089% per annum have been adopted consistent with the AER's determination for Part A (Early works).

48 Calculated as Allowed return on Opening RAB + Allowed return on annual expenditure + Debt raising costs.

49 Calculated as Opening RAB + Expenditure (Construction costs) + Maximum allowed revenue.

8. Incentive mechanisms

Key Points:

- In accordance with the Rules requirements, the AER has developed a suite of incentive mechanisms that are designed to encourage TNSPs to improve their cost and service performance over time. MLPL supports incentive regulation and the application of the AER's incentive mechanisms.
- As MLPL will not be providing transmission services during the first regulatory control period, incentive schemes relating to service performance and operating expenditure efficiencies cannot apply. The AER acknowledged this point in its Commencement and Process Paper for MLPL, and has confirmed this position in its Initial Draft Decision.
- Of the remaining incentive schemes, the CESS is the only scheme that could be applied during the construction phase of the project. In our Revenue Proposal, MLPL proposed a sharing ratio of 95/5 as opposed to the AER's standard sharing ratio of 70/30, which the AER did not accept in its Initial Draft Decision and instead applied the same approach as adopted for Transgrid's HumeLink project.
- As explained in Chapter 2, following the AER's Initial Draft Decision, we have undertaken further consultation with the CAP in relation to the CESS. MLPL has also sought the views of other stakeholders through the AER's pre-determination conference and reviewed their submissions to the AER's Issues Paper.
- MLPL accepts the concerns raised regarding the importance of ensuring that there are sufficiently strong incentives to deliver the project efficiently. It is also important, however, that the CESS is appropriately calibrated so that it does not require the payment of bonuses or penalties that are unrelated to the company's efficiency performance.
- MLPL considered that the most appropriate response in relation to the CESS would be to seek the views of an independent expert, Jeff Balchin, to provide guidance to MLPL on the appropriate incentive rate to adopt in its circumstances, having regard to the Rules requirements and the interests of customers. Jeff Balchin's report is provided in Attachment 10.
- In this revised Revenue Proposal, MLPL has adopted Jeff Balchin's preferred solution that the CESS should apply a 90/10 sharing ratio to underspends and overspends up to 10% of MLPL's capital expenditure allowance, and a zero incentive rate should apply beyond 10%. In addition, the ex post review should apply to any overspend above 10% to provide a strong incentive to ensure that capital expenditure continues to be incurred efficiently. MLPL also supports Jeff Balchin's alternative recommendation in the event that the AER does not accept that the proposed demarcation between the operation of the CESS and ex post review.

The AER has developed incentive schemes over a number of years to drive improvements across all aspects of a TNSP's performance. Typically, these schemes are described at a high level in the Rules, and the AER is given the task of developing detailed guidelines to define their application and the circumstances in which they can be varied.

Th purpose of this chapter is to explain each of the incentive mechanisms and whether they should apply to MLPL in the 2025-30 regulatory period. The AER's Initial Draft Decision has accepted MLPL's position on each of these mechanisms, with the exception of the CESS. For completeness and to assist stakeholders, this revised Revenue Proposal substantially reproduces the information provided in the Revenue Proposal in relation to each incentive scheme, apart from section 8.3 which responds to the AER's Initial Draft Decision on the CESS.

8.1 Service Target Performance Incentive Scheme (STPIS)

The STPIS plays an important role in counter-balancing the incentives to minimise operating and capital expenditure that are provided by other aspects of the regulatory framework. Broadly speaking, the STPIS provides financial incentives to improve network performance by setting targets for various parameters based on recent historical performance.

While network performance is an important aspect of the service Marinus Link will provide, the STPIS (or some variation of it) cannot be applied because services will not commence until MLPL's second regulatory period.[50] For that reason, the STPIS should not apply to MLPL for the first regulatory period. This conclusion was accepted by the AER in its Initial Draft Decision. While the STPIS will not apply in the 2025-30 regulatory period, future network performance has been a key consideration in MLPL's tender processes to select preferred contractors and service providers.

8.2 Efficiency Benefit Sharing Scheme (EBSS)

The EBSS provides continuous incentives for TNSPs to pursue operating expenditure efficiencies during the regulatory period. In doing so, the EBSS seeks to mirror the incentives provided by competitive markets where companies benefit from cost savings in the short term and customers benefit from lower prices thereafter.

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[50] The AER's Commencement and Process Paper, Attachment A, states that the STPIS will not be included in the AER's decision for Part A (Early works) or Part B (Construction costs).

By providing incentives to achieve operating expenditure efficiencies, the EBSS also plays an important role in the AER's 'base, step, trend' approach to forecasting operating expenditure. This forecasting approach relies on the EBSS to ensure that the most recent actual operating expenditure provides a reasonable basis from which to project the TNSP's future operating expenditure requirements.

For the first regulatory period, Marinus Link will not be operational and, therefore, the EBSS should not apply.[51] This conclusion was accepted by the AER in its Initial Draft Decision. The absence of historical data also means that MLPL's operating expenditure allowance for the second regulatory period, commencing on 1 July 2030, will need to be developed afresh, rather than projecting from actual expenditure in a base year.

The assessment of MLPL's operating expenditure allowance for the second regulatory period is a matter to be considered in Stage 2 of the AER's revenue determination process, which will commence with the submission of MLPL's Revenue Proposal in January 2029. As part of the AER's review process at that time, the application of the EBSS for the second regulatory period will be settled by the AER.

8.3 Capital Expenditure Sharing Scheme

The CESS is analogous to the EBSS, as it provides financial incentives to achieve capital expenditure savings compared to the AER's allowance. This scheme imposes financial penalties or bonuses on a TNSP, depending on whether its actual capital expenditure is higher or lower than the AER's allowance. Similar to the EBSS, customers benefit from capital expenditure savings because the RAB and future prices are lower as a result of the savings. The TNSP obtains a bonus in its maximum allowed revenue, which is effectively its share of the savings in capital expenditure.

The AER published its Draft Decision on its review of the CESS in December 2022. In that Draft Decision, the AER commented that it intended to assess whether or not to apply the CESS to large transmission projects in its consideration of contingent project and revenue proposals. In doing so, the AER explained that it will consider, among other things, each company's capital expenditure proposal and the degree of forecasting risk.[52]

The AER subsequently finalised its review of the CESS in April 2023, taking account of 12 submissions from stakeholders.[53] In its Final Decision, the AER confirmed its earlier view that it should retain the flexibility to

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51 The AER's Commencement and Process Paper, Attachment A, states that the EBSS will not be included in the AER's decision for Part A (Early works) or Part B (Construction costs).

52 AER, Incentive review, Draft Capital Expenditure Incentive Guideline for Electricity Network Service Providers, December 2022, page 7.

53 AER, Incentive review, Final Capital Expenditure Incentive Guideline for Electricity Network Service Providers, April 2023, page 22.

decide whether, or how, the CESS should be applied to large transmission projects. The AER set out the following factors that it would consider in deciding whether and how the CESS should be applied:[54]

- Benefits to consumers from the exemption;
- The size of the project;
- The degree of capital expenditure forecasting risk; and
- Stakeholder views.

We interpret the AER's position as being entirely open to the full range of possible approaches, having regard to the above factors and given the overarching objective of promoting the best outcome for customers in accordance with the National Electricity Objective (**NEO**).

In August 2024, the AER determined the CESS that would apply to Transgrid's HumeLink project. In that decision, the AER rejected Transgrid's proposal not to apply the CESS to HumeLink, and instead concluded that the CESS should be modified as follows:[55]

- A 30% sharing ratio will apply to capex overspends and underspends up to 10% of the net present value of forecast capex.
- If an overspend or underspend exceeds 10%, the sharing ratio is set to the average level of the financing cost or benefit, assuming no shift in the timing of the capex.
- The modified CESS will apply to all expenditure undertaken in Stage 1 and Stage 2 of HumeLink in the 2023–28 regulatory control period.
- Biodiversity offset costs will be excluded from the CESS altogether, as these costs are considered to be highly uncertain in nature and outside Transgrid's control.
- Any deferrals between regulatory periods will be included in the calculation of the CESS rewards or penalties.

In MLPL's Revenue Proposal, we set out our reasoning for a much lower powered incentive than the standard 70/30 sharing with customers, i.e., where the TNSP is exposed to 30% of any under- or over-spend. We explained that a key reason for a lower powered incentive scheme, where the sharing is less than 30%, is that

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54 Ibid, page 7.

55 AER, Transgrid's HumeLink Stage 2 Delivery Contingent Project Application, August 2024, page ix.

MLPL's control over the total project costs is comparatively limited because most of the project activities are outsourced. As a result, differences between the actual and forecast capital expenditure are likely to be driven by factors beyond MLPL's control, rather than MLPL's cost efficiency. As a consequence, MLPL (and customers) will be exposed to windfall gains or losses as a result of applying the CESS, as the scheme will reward or penalise differences that are unrelated to efficiency performance. We also explained why MLPL's unique circumstances and a different financing structure[56] indicated that a much lower powered incentive scheme was warranted compared to HumeLink and proposed an incentive rate of 5%, i.e., a 95/5 sharing ratio as opposed to 70/30.

In the AER's Initial Draft Decision, the AER did not consider that the 95/5 sharing ratio proposed by MLPL is sufficient to incentivise efficient expenditure. For illustrative purposes, the AER commented that an overspend by MLPL of $200 million would result in a $10 million penalty for MLPL, while its customers would bear $190 million of this cost. However, the AER also accepted that MLPL, as a large single asset TNSP, faces different risks to other TNSPs, such that a modified CESS may be appropriate. In particular, the AER accepted that MLPL does not have the ability to achieve cost savings on other parts of its portfolio to offset increased costs on Marinus Link.[57]

As explained in Chapter 2, we have undertaken further consultation with the CAP in relation to the CESS following the AER's Initial Draft Decision and listened to stakeholders through their submissions to the AER's Issues Paper. MLPL accepts the concerns raised regarding the importance of ensuring that there are sufficiently strong incentives to deliver the project efficiently. It is also important, however, that the scheme is appropriately calibrated so that it does not require the payment of bonuses or penalties that are unrelated to the company's efficiency performance. This balancing act requires the exercise of judgment, having regard to all the relevant circumstances.

To address the issues raised by the AER, the CAP and other stakeholders, MLPL considered that the most appropriate response in relation to the CESS would be to seek the views of an independent expert. MLPL therefore engaged Jeff Balchin, who has more than 30 years' experience working for regulators and regulated companies, to provide an independent expert opinion having regard to the Rules requirements and the interests of customers. Jeff Balchin's report is provided in Attachment 10, which includes his terms of reference.

In this revised Revenue Proposal, MLPL has adopted Jeff Balchin's recommendation that the AER's Initial Draft Decision should be modified so that a 90/10 sharing rate applies symmetrically to overspends or

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56 MLPL expects to obtain concessional finance which will secure a higher level of gearing than the AER's benchmark. As a consequence, the impact on equity holders of a CESS penalty is magnified. For further discussion of this issue and the differences between Marinus Link and HumeLink, please refer to Attachment 10.

57 AER, Initial Draft Decision - Marinus Link Stage 1, Part B (Construction costs), Transmission Determination 2025-30, May 2025, page 17.

underspends up to 10% of the capital expenditure allowance, with an incentive rate of zero thereafter. For overspends above 10%, the AER's ex post review should be relied upon to ensure that MLPL continues to face a powerful incentive to incur capital expenditure efficiently, noting that actual expenditure which the AER subsequently assesses as not being prudent and efficient will be excluded from MLPL's regulatory asset base and not recovered from consumers. MLPL also notes Jeff Balchin has provided an alternative recommendation if the AER does not accept that the proposed demarcation between the operation of the CESS and ex post review, which MLPL also supports. The proposed alternative is that a lower incentive rate be applied to all levels of overspend, being the 5 per cent rate as originally proposed by MLPL.

Jeff Balchin's preferred solution reflects a position somewhere between MLPL's original proposal and the AER's Initial Draft Decision. In his report, he explains that the purpose of the CESS, as specified in the Rules, is to provide each TNSP with an incentive to improve its cost efficiency and to provide bonuses or penalties which are commensurate with its efficiency performance. As such, the CESS is not intended to be a risk sharing mechanism, contrary to the views expressed by some stakeholders. The design of the scheme should therefore focus principally on the opportunities for a TNSP to make efficiency savings and the level of financial reward and penalty that is required to bring about those improvements on behalf of consumers. Jeff Balchin explains that setting a higher incentive rate than necessary would be contrary to the interests of consumers, as it would lead to higher costs or reduced levels of transmission investment.

In considering the design of the CESS, Jeff Balchin discusses MLPL's capacity to drive efficiency improvements given the nature the project, MLPL's contracting arrangements and risks. As explained in his report, the proposed arrangements for MLPL may not be appropriate for other TNSPs, noting that each company's circumstances need to be carefully considered in the CESS design. Full details of the reasoning for MLPL's proposed CESS arrangements are provided in Jeff Balchin's report, which is included as Attachment 10 to this revised Revenue Proposal.

8.4 Small-scale Incentive Scheme (SSIS)

The SSIS has not yet been applied to TNSPs and MLPL is not proposing the application of such a scheme in this revised Revenue Proposal. This approach is consistent with the AER's Initial Draft Decision.

8.5 Demand Management Innovation Allowance Mechanism (DMIAM)

The DMIAM provides funding for research and development in demand management projects that have the potential to reduce long-term network costs. As MLPL will not provide prescribed transmission services during

the first regulatory control period, there is no purpose in applying the DMIAM. The AER's Initial Draft Decision has accepted MLPL's position on this issue.

9. Pass through events

Key Points:

- Cost pass through provisions are required to keep network charges as low as possible. This outcome is achieved by ensuring that TNSPs only recover the actual cost impact of specified uncertain events if those events occur.
- MLPL's Revenue Proposal explained that while transmission services will not commence during 2025-30 regulatory period, it is appropriate for cost pass through provisions to apply as events may occur that impact MLPL's construction costs.
- MLPL's Revenue Proposal nominated eight pass through events that should apply during the construction phase of the project. The AER's Initial Draft Decision accepted four of these proposed events, but did not accept the remaining four.
- In this revised Revenue Proposal, MLPL has addressed the AER's feedback in its Initial Draft Decision and amended the four pass through provisions to address the AER issues raised by the AER.

9.1 Overview of MLPL's proposed approach

The Rules include cost pass through provisions that enable a TNSP to recover (or pass back to customers) materially higher (or lower) costs in providing prescribed transmission services if a 'pass through event' occurs. The purpose of the pass through provisions is to enable each TNSP to seek to recover the efficient costs associated with a particular event, but only if that event occurs. The use of pass through provisions is intended to keep transmission charges as low as possible because customers avoid paying transmission charges that include a risk allowance for events that may not occur.

Clause 6A.7.3(a1) of the Rules provides for the following pass through events:

- A regulatory change event;
- A service standard event;
- A tax change event;
- An insurance event; and
- An inertia shortfall event.

The Rules also allow each TNSP to nominate additional pass through events in its revenue proposal. In recent determinations, TNSPs have nominated the following events:

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

In addition to proposing the nominated pass through events set out above, MLPL's Revenue Proposal also included the following additional nominated pass through events:

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

The AER's Initial Draft Decision accepted the first group of four nominated pass through events set out above, but did not accept the second set. MLPL has addressed the issues raised by the AER and resubmitted amended versions of these pass through events in this revised Revenue Proposal. MLPL's position is that each of the proposed nominated pass through events are warranted, having regard to the 'nominated pass through event considerations' as defined in Chapter 10 of the Rules.

As explained in MLPL's Revenue Proposal, in relation to the operation of the pass through provisions for the first regulatory control period, MLPL proposes that the materiality threshold references the notional maximum allowed revenue for the 2025-30 regulatory period, consistent with the AER's final decision on MLPL's Revenue Proposal – Part A (Early works), as noted below:[58]

> "We accept the additional pass through events as proposed by Marinus Link and will set materiality threshold for cost pass throughs based on Marinus Link's calculation of the maximum allowed revenue for each regulatory year. Approved cost pass throughs will be recovered by adding them to the RAB until Marinus Link commences providing prescribed services."

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[58] AER Determination, Marinus Link Stage 1, Part A (Early works), December 2023, page v.

MLPL proposes that the AER adopts the same approach in its revenue determination for MLPL's Part B – (Construction costs), so that the pass through provisions are able to apply, even though MLPL will not recover any regulated revenues until the second regulatory period.[59] MLPL notes that the AER's Initial Draft Decision did not comment on this issue or specify the notional maximum allowed revenue. MLPL would welcome the AER's confirmation in its supplementary Draft Decision that MLPL's proposed approach will apply for the 2025-30 regulatory period.

9.2 Nominated pass through provisions

This section sets out the proposed drafting for MLPL's nominated pass through provisions for project construction, which will commence following FID (expected 31 May 2025). Pass through provisions have already been approved by the AER in relation to early works and this proposal does not affect the AER's decision in relation to the early works period.

MLPL's proposed nominated pass through provisions for the construction period are:

- Insurance coverage event;
- Terrorism event;
- Natural disaster event;
- Insurer credit risk event;
- Unavoidable contract variations event;
- Contractor force majeure event;
- Contractor insolvency event; and
- Biodiversity event.

The proposed drafting for each pass through event is set out below. The proposed provisions for each of the first four pass through events are unchanged from our Revenue Proposal. In relation to the final four pass through events, MLPL has amended its proposed provisions to address the AER's issues in its Initial Draft Decision.

[59] Further details are provided in section 9.3.

9.2.1 Insurance coverage event

The proposed drafting for the insurance coverage event is set out below, and is closely aligned with the drafting recently approved by the AER[60], with changes to reflect MLPL's specific circumstances. As already noted, the proposed drafting is unchanged from MLPL's Revenue Proposal, which has been accepted by the AER in its Initial Draft Decision.

An insurance coverage event occurs if:

1. MLPL:

    a. makes a claim or claims and receives the benefit of a payment or payments under a relevant insurance policy or set of insurance policies; or

    b. would have been able to make a claim or claims under a relevant insurance policy or set of insurance policies but for changed circumstances; and

2. MLPL incurs costs:

    a. beyond a relevant policy limit for that policy or set of insurance policies; or

    b. that are unrecoverable under that policy or set of insurance policies due to changed circumstances; and

    c. The costs referred to in paragraph 2 above materially increase the costs to MLPL in constructing or commissioning Marinus Link.

For the purposes of this insurance coverage event:

> 'changed circumstances' means movements in the relevant insurance market, including liability insurance, that are beyond the control of MLPL, where those movements mean that it is no longer possible for MLPL to take out an insurance policy or set of insurance policies at all or on reasonable commercial terms that include some or all of the costs referred to in paragraph 2 above within the scope of that insurance policy or set of insurance policies.

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[60] AER, Final decision, ElectraNet transmission determination 1 July 2023 to 30 June 2028, Attachment 13 – Cost pass through events, April 2023, Table 13-1.

'costs' means the costs that would have been recovered under the insurance policy or set of insurance policies had:

i. the limit not been exhausted; or

ii. those costs not been unrecoverable due to changed circumstances.

A relevant insurance policy or set of insurance policies is an insurance policy or set of insurance policies held during the regulatory control period or prior to the commencement of the regulatory control period; and

MLPL will be deemed to have made a claim on a relevant insurance policy or set of insurance policies if the claim is made by a related party of MLPL in relation to any aspect of MLPL's network or business; and

MLPL will be deemed to have been able to make a claim on a relevant insurance policy or set of insurance policies if, but for changed circumstances, the claim could have been made by a related party of MLPL in relation to any aspect of MLPL's network or business.

Note: For the avoidance of doubt, in assessing an insurance coverage event through application under rule 6A.7.3(j), the AER will have regard to:

i. the relevant insurance policy or set of insurance policies for the event;

ii. the level of insurance that an efficient and prudent TNSP would obtain, or would have sought to obtain, in respect of the event;

iii. any information provided by MLPL to the AER about MLPL's actions and processes; and

iv. any guidance published by the AER on matters the AER will likely have regard to in assessing any insurance coverage event that occurs.

9.2.2 Terrorism event

The proposed drafting for the terrorism event is set out below, and is closely aligned with the drafting recently approved by the AER[61], with changes to refer to MLPL and its specific circumstances. As already noted, the

[61] AER, Final decision, ElectraNet transmission determination 1 July 2023 to 30 June 2028, Attachment 13 – Cost pass through events, April 2023, Table 13-1.

proposed drafting is unchanged from MLPL's Revenue Proposal, which has been accepted by the AER in its Initial Draft Decision.

Terrorism event means an act (including, but not limited to, the use of force or violence or the threat of force or violence) of any person or group of persons (whether acting alone or on behalf of or in connection with any organisation or government), which:

1. from its nature or context is done for, or in connection with, political, religious, ideological, ethnic or similar purposes or reasons (including the intention to influence or intimidate any government and/or put the public, or any section of the public, in fear); and

2. changes the costs to MLPL in constructing or commissioning Marinus Link.

   Note: In assessing a terrorism event pass through application, the AER will have regard to, amongst other things:

   i. whether MLPL has insurance against the event;

   ii. the level of insurance that an efficient and prudent TNSP would obtain in respect of the event; and

   iii. whether a declaration has been made by a relevant government authority that a terrorism event has occurred.

9.2.3 Natural disaster event

The proposed drafting for the natural disaster event is set out below, and is closely aligned with the drafting recently approved by the AER[62], with changes to refer to MLPL. As already noted, the proposed drafting is unchanged from MLPL's Revenue Proposal, which has been accepted by the AER in its Initial Draft Decision.

Natural disaster event means any natural disaster including but not limited to cyclone, fire, flood or earthquake that occurs during the 2025–30 regulatory control period that changes the costs to MLPL in in constructing or commissioning Marinus Link, provided the cyclone, fire, flood, earthquake or other event was:

[62] AER, Final decision, ElectraNet transmission determination 1 July 2023 to 30 June 2028, Attachment 13 – Cost pass through events, April 2023, Table 13-1.

(a) a consequence of an act or omission that was necessary for the service provider to comply with a regulatory obligation or requirement or with an applicable regulatory instrument; or

(b) not a consequence of any other act or omission of the service provider.

Note: In assessing a natural disaster event pass through application, the AER will have regard to, amongst other things:

i. whether MLPL has insurance against the event;

ii. the level of insurance that an efficient and prudent TNSP would obtain in respect of the event.

9.2.4 Insurer credit risk event

The proposed drafting for the insurer credit risk event is set out below, and is closely aligned with the drafting recently approved by the AER[63], with changes to refer to MLPL. As already noted, the proposed drafting is unchanged from MLPL's Revenue Proposal, which has been accepted by the AER in its Initial Draft Decision.

An insurer credit risk event occurs if an insurer of MLPL becomes insolvent and, as a result, in respect of an existing or potential claim for a risk that was insured by the insolvent insurer, MLPL:

(a) is subject to a higher or lower claim limit or a higher or lower deductible than would have otherwise applied under the insolvent insurer's policy; or

(b) incurs additional costs associated with funding an insurance claim, which would otherwise have been covered by the insolvent insurer.

Note: In assessing an insurer credit risk event pass through application, the AER will have regard to, amongst other things:

i. MLPL's attempts to mitigate and prevent the event from occurring by reviewing and considering the insurer's track record, size, credit rating and reputation; and

ii. in the event that a claim would have been covered by the insolvent insurer's policy, whether MLPL had reasonable opportunity to insure the risk with a different provider.

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63 AER, Final decision, ElectraNet transmission determination 1 July 2023 to 30 June 2028, Attachment 13 – Cost pass through events, April 2023, Table 13-1.

9.2.5 Unavoidable contract variations event

In MLPL's Revenue Proposal, MLPL nominated an unavoidable contract variations event, which was closely aligned to the AER's adjustment mechanism for Transgrid's WSB project[64]. In its Initial Draft Decision, the AER did not accept this pass through event as explained below:[65]

> "Our initial draft decision to not accept the unavoidable contract variations event is based on a number of considerations:
>
> - It is difficult to clearly define the event as it is unclear what would constitute 'avoidable' and 'unavoidable' events or costs in this context.
> - Including this pass through event would materially weaken MLPL's incentives to minimise the costs of construction.
> - Some contractor cost variation risks, such as unforeseen outcomes of planning and environmental approvals, have been mitigated by early works.
> - MLPL can mitigate some of the risks in other ways, for example by hedging commodity prices, and including escalation allowances for labour and material costs.
>
> We also note that MLPL's proposed event definition sought to define a materiality threshold for this event of not less than $30 million. This is not consistent with the 'adjustment mechanism' included in our determination on Transgrid's Waratah Super Battery project under the EII framework, which provided for a maximum amount of $30 million. The NER framework does not provide for the materiality threshold for a specific event to be defined in this way. The materiality threshold for all nominated cost pass through events under the NER is defined in Chapter 10 of the NER."

MLPL accepts that the AER's decision in relation to Transgrid's WSB project was made in accordance with the Electricity Infrastructure Investment Act 2020 (EII) framework, rather than the National Electricity Rules, which refers to 'adjustment mechanisms' rather than 'pass through events'. However, the AER's commentary in its decision for Transgrid's WSB project explained that the AER would likely apply the 'nominated pass-

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64 AER Draft decision, Transgrid Waratah Super Battery (non-contestable) 1 July 2024 to 30 June 2029, Appendix C: Adjustment mechanisms, September 2023.

65 AER, Initial Draft Decision - Marinus Link Stage 1, Part B (Construction costs), Transmission Determination 2025-30, May 2025, page 21.

through event considerations' that apply under the National Electricity Rules in assessing the adjustment mechanisms proposed under the EII framework:[66]

> "We note that the EII contestable framework is largely consistent with the NER Chapter 6A framework and therefore already provides for a number of adjustment mechanisms including pass through events and nominated pass through events. In assessing any proposed adjustment mechanisms, the AER is likely to have regard to the nominated pass-through event considerations referenced in the EII Chapter 6A Rules.
>
> The ability of a network operator to propose adjustment mechanisms under the EII framework should not be interpreted as a retreat from incentive-based regulation. Incentive regulation is fundamental to promoting efficiency in both Chapter 6A of the NER and the EII Act. For example, we note that we continue to expect expenditure forecasts proposed by a network operator and any adjustment mechanisms to be respectively unbiased estimates and symmetrical in their application."

MLPL also notes that the EII Chapter 6A Rules adopts the same definition of the 'nominated pass-through event considerations' as that which applies under the Chapter 6A of the National Electricity Rules, i.e., the same considerations as those that apply to MLPL's revenue determination. The linkages between the EII Act and the Chapter 6A of the National Electricity Rules are further explained in the following excerpt from the AER's guidelines on the EII framework:[67]

> "We have based the non-contestable revenue determination process and regulatory framework on Chapter 6A of the National Electricity Rules (NER). Chapter 6A of the NER does not apply to a revenue determination under the EII Act, however we are required, as far as is reasonably practicable, to make guidelines consistent with Chapter 6A of the NER, as that Chapter applies to making a revenue determination.9 Therefore, as part of our draft Guideline for NSW non-contestable network infrastructure projects (Guideline) we include a modified version of Chapter 6A of the NER, which we refer to as EII Chapter 6A (Appendix A). We will separately make available a marked up copy of NER Chapter 6A to provide an easy comparative for interested stakeholders.
>
> Our application of this Guideline which includes EII Chapter 6A will be consistent with NER Chapter 6A, except where the EII Act or EII Regulation require an alternative approach, or we consider that

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66 AER, Transmission Efficiency Test and revenue determination final guideline non-contestable network infrastructure projects, April 2023, section 5.5.1 Adjustment Mechanisms, page 27.

67 AER, Transmission Efficiency Test and revenue determination final guideline non-contestable network infrastructure projects, April 2023, page 6.

compelling reasons exist to deviate based on the relevant objects and principles of the EII Act. In these instances, we shall provide reasons in our non-contestable revenue determination."

MLPL's position is that unavoidable contract variations and cost impacts may arise if there is an unexpected change to the project design or proposed route. MLPL considers that this type of risk, which would be beyond MLPL's control (i.e., unavoidable), satisfies the 'nominated pass through event considerations'[68]. In particular:

- The proposed event is not covered by a category of pass through event specified in the Rules;
- The nature and type of event can be clearly identified at the time the determination is made;
- MLPL could not reasonably prevent an event of that kind or substantially mitigate the cost impact of such an event; and
- MLPL cannot insure against the event.

To address the AER's feedback in its Initial Draft Decision, MLPL has amended the proposed definition of an unavoidable contract variation to reflect the AER's approved adjustment mechanism for WSB, with an amendment to remove the reference to $30 million to address the AER's comments in its Initial Draft Decision. MLPL has also addressed the AER's concern that 'unavoidable' was not clearly distinguishable from 'avoidable' by making amendments shown below:

"An unavoidable contract variations event occurs if;

- a variation to a contract relating to the construction of Stage 1 of Marinus Link is required to accommodate a change in project design or proposed route that is beyond MLPL's control; and
- ~~contract variation that~~ the required variation to that contract has a material impact (positive or negative) on MLPL's costs of constructing or commissioning Marinus Link~~, as a result of a change in the project design or proposed route~~.

The cost of the unavoidable contract variations event may include, but is not limited to, the increase or decrease in the prudent and efficient costs of any civil or building works, environmental and planning approvals; and any plant, equipment, materials and labour costs; and delay costs.

~~For the purposes of the unavoidable contract variations event, a material impact on MLPL's costs is an amount that is not less than $30 million.~~

[68] National Electricity Rules, Chapter 10 Glossary.

Note: In assessing an unavoidable contract variations event pass through application, the AER will have regard to, amongst other things:

i. Evidence that the contract variation has been caused by factors that were beyond MLPL's control;

ii. MLPL's attempts to mitigate and prevent the event from occurring;

iii. the prudency and efficiency of the contract amounts claimed by MLPL, including whether it accords with the terms and conditions of the relevant contract;

iv. the prudency and efficiency of any actual or forecast costs to be incurred by MLPL as a result of the event."

MLPL considers that the above provisions, which build from the approved 'unavoidable contract variations' provision in the WSB decision, provide greater clarity on how the proposed event would operate while maintaining MLPL's incentive to minimise avoidable construction costs. In the absence of the AER approving this pass through event, MLPL's risk allowance would need to be increased to compensate for the risk. MLPL's strong preference is that the AER approves this pass through event, which will ensure that network charges are kept as low as possible.

9.2.6 Contractor force majeure event

The AER's Initial Draft Decision did not accept MLPL's proposal for a Contractor force majeure event, for the following reasons:[69]

"We consider the circumstances and risks associated with the proposed contractor force majeure event are likely to be covered by one or more of the existing natural disaster, terrorism, and regulatory change events. It is not clear from MLPL's proposal what other additional risks need to be addressed by this event.

We note that MLPL in part proposed inclusion of this event on the basis that we included a similar pass through event in our determination on the non-contestable elements of Transgrid's Waratah Super Battery project under the Electricity Infrastructure Investment Act 2020 (EII) framework. However, we note this formed part of an overall package of 'adjustment mechanisms' considered

[69] AER, Initial Draft Decision - Marinus Link Stage 1, Part B (Construction costs), Transmission Determination 2025-30, May 2025, page 20.

> under the EII framework, rather than a nominated cost pass through event to which specific considerations apply under the NER."

As explained in section 9.2.5 above, MLPL notes that the regulatory arrangements applying to the EII framework are closely aligned to the Chapter 6A provisions that apply to MLPL's revenue determination. Specifically, the AER's guidelines state that it will apply the same nominated pass through event considerations in both frameworks.

While MLPL accepts that the AER must consider each nominated pass through event on its merits having regard to the particular circumstances, the AER's previous approval of this pass through event alongside natural disaster, terrorism, and regulatory change events illustrates that there may be circumstances in which the contractor force majeure is broader in scope than the existing pass through event. In fact, this is the case for MLPL as 'contractor force majeure' is defined in the executed converter station contract as including matters such as:

- unexploded ordinances or munitions at a construction site; and
- restriction of access to a construction site directed by an Authority such that access to the construction site is prevented or made impossible.

In relation to the AER's concern regarding a 'double claim' for a pass through event, we have proposed an amendment to the definition to address this point. The revised proposed drafting for the contractor force majeure event is set out below and is aligned with the AER's adjustment mechanism for Transgrid's WSB project, with appropriate amendments to reflect MLPL's circumstances:[70]

> A contractor force majeure event is the material change in construction costs incurred by MLPL due to an unforeseen force majeure event impacting the construction contractor. The contractor force majeure event includes the additional prudent and efficient construction costs incurred by MLPL, as a result of an unforeseen force majeure event impacting the contractor, where:
>
> (i) the costs are not covered by an existing insurance policy or other pass through event, and
>
> (ii) the force majeure event is declared in accordance with the terms of the relevant contract.
>
> Note: In assessing a contractor force majeure event pass through application, the AER will have regard to, amongst other things:

[70] AER Draft decision, Transgrid Waratah Super Battery (non-contestable) 1 July 2024 to 30 June 2029, Appendix C: Adjustment mechanisms, September 2023.

i. whether the event is covered by insurance;

ii. whether the event falls within the definition of a different pass through event, in which case the relevant costs can only be recovered once;

iii. the prudency and efficiency of the contract amounts claimed by MLPL, including whether it accords with the terms and conditions of the relevant contract; and

iv. the prudency and efficiency of any actual or forecast costs to be incurred by MLPL as a result of the event.

In the absence of the AER approving this pass through event, MLPL's risk allowance would need to be increased to compensate for the risk. As already noted, MLPL's strong preference is that the AER approves this pass through event, which will ensure that network charges are kept as low as possible.

9.2.7 Contractor insolvency event

In MLPL's Revenue Proposal recognised that a contractor insolvency event had not previously been adopted by the AER. Nevertheless, MLPL considered that the inclusion of this event was appropriate given the potential cost consequences of such an event that would be beyond MLPL's control. In its Initial Draft Decision, the AER did not accept MLPL's proposal for the following reasons:[71]

> "In regard to the contractor insolvency nominated pass through event, we consider there are ways in which the risk of such an event occurring and causing material additional costs can be substantially mitigated or managed by a prudent service provider. We are therefore not satisfied that this event is consistent with the nominated pass through event considerations in the NER. We consider:
>
> - There is scope for MLPL to mitigate the risk of contractor insolvency during the tendering and contracting process. The contractor's size and track record are relevant factors in choosing a contractor. Also, prudent service provider could reasonably require contracts to include clauses to prevent or mitigate the cost impact of a contractor insolvency event, for example, the novation of contracts, provision of appropriate security, registration of interests, and provision of guarantees. It is therefore not clear why MLPL considers the pass through event is required given the level of control it has in establishing appropriate contracting terms, and the scope to choose a low risk contractor.

[71] AER, Initial Draft Decision - Marinus Link Stage 1, Part B (Construction costs), Transmission Determination 2025-30, May 2025, pages 21 and 22.

- The risk to MLPL of an insolvency event is mitigated by the application of the CESS included in this initial draft decision. This limits the impact of an insolvency event to the first 10% of any overspend MLPL incurs. We consider this helps to balance the particular circumstances of MLPL as a large transmission project, with the need to continue to incentivise efficient expenditure and risk management.

- Inclusion of this nominated pass through event would likely reduce MLPL's incentive to minimise constructions costs under any renegotiated contract following an insolvency event."

MLPL generally agrees with the AER's observations, but considers that there remains a strong case for the inclusion of a contractor insolvency for the following reasons:

- The proposed pass through event would not diminish MLPL's obligations to select a contractor that has the financial capacity to deliver the project. MLPL's procurement practices, which the AER has assessed as reflecting good practice, includes these considerations. The reality, however, is that insolvency events can occur despite the best efforts of the client (in this case MLPL) to conduct financial checks. For that reason, it is standard practice to include insolvency provisions in construction contracts.

- While the AER's proposed approach to the CESS reduces the financial impact of an insolvency event on MLPL, it does not eliminate the cost impact which could be substantial. The National Electricity Law requires that a network service provider must have a reasonable opportunity to recover at least the efficient costs of providing prescribed services. To meet this requirement, the revenue setting process needs to compensate MLPL for risks that are beyond its control either by allowing a pass through provision or providing a risk allowance. In the case of a contractor insolvency, the best approach is to allow a cost pass through provision as it ensures that MLPL would recover the actual costs of the event if it occurs, but otherwise would receive no allowance in its maximum allowed revenue.

- The draft provisions specifically prevent MLPL from recovering costs from an insolvency event if those costs have not been incurred prudently and efficiently. MLPL therefore does not accept the AER's comments that allowing this pass through provision would reduce MLPL's focus on minimising the cost impact of such an event.

In light of the above comments, MLPL requests that the AER reconsiders the proposed pass through event, which now includes additional wording (marked up) to ensure that the issues raised by the AER are addressed:

> A contractor insolvency event occurs if a contractor is declared insolvent and as a result of that insolvency there is a material increase in MLPL's costs of constructing or commissioning Marinus Link. The cost may include, but is not limited to, those arising from project delays; renegotiation of new

contract terms; appointing an alternative contractor; and any increase in the costs of completing the project.

For the avoidance of doubt, this pass through event does not allow MLPL to recover payments to a contractor to avoid or mitigate the risk of insolvency.

Note: In assessing a contractor insolvency event pass through application, the AER will have regard to, amongst other things:

i. Whether MLPL made reasonable enquires at the time of contracting with the relevant service provider to verify its financial capacity to meet its contractual obligations;

ii. Whether MLPL obtained reasonable protections against insolvency, including appropriate financial guarantees and novation provisions;

iii. Any action or omission on the part of MLPL that may have resulted in costs that are not prudent and efficient; and

iv. the prudency and efficiency of the costs claimed by MLPL.

In the absence of the AER approving this pass through event, MLPL's risk allowance would need to be increased to compensate for the risk. As already noted, MLPL's strong preference is that the AER approves this pass through event, which will ensure that network charges are kept as low as possible.

9.2.8 Biodiversity event

MLPL's Revenue Proposal noted that a biodiversity event has not previously been adopted by the AER and was not proposed by Transgrid in relation to the WSB project. Nevertheless, MLPL considered that the inclusion of this event is appropriate, as the event would be beyond MLPL's control and may be material in terms of its cost impact.

The AER's Initial Draft Decision made the following observations regarding this proposed pass through event:[72]

"…we consider inclusion of the biodiversity event is not consistent with the nominated pass through event considerations under the NER because the event is likely covered by an existing category of pass through event. MLPL proposed that a biodiversity event is defined as a new legislative change

[72] AER, Initial Draft Decision - Marinus Link Stage 1, Part B (Construction costs), Transmission Determination 2025-30, May 2025, page 20.

> or regulatory requirement or a decision by a planning authority which results in a biodiversity cost impact. We consider these circumstances are likely to be already covered by either the regulatory change pass through event or the service standard pass through event under the NER."

MLPL agrees with the AER's observation that a component of the proposed pass through event as drafted in MLPL's Revenue Proposal would be covered by the regulatory change event. The principal purpose of the pass through provision is to address the costs of meeting the existing legislative and regulatory requirements, noting that the costs are substantially outside MLPL's control. This observation was accepted in relation to the AER's decision on HumeLink, in which the AER made the following observations:[73]

> "In addition to the [biodiversity offset] costs being highly uncertain, we consider these costs are largely uncontrollable. Although Transgrid has some discretion over its strategy to offset its biodiversity obligations, there still remain factors outside of Transgrid's control which could have a material effect on its costs. These are:
>
> - The number of potential BSA [Biodiversity Stewardship Agreements] properties that come to market and the type of credits on those properties during the project timeframe. BSAs are a cheaper option to offset biodiversity credits but the supply is largely not within Transgrid's control.
>
> - The number and type of credits that come to market during the project timeframe. The cost and quantities of the credits shift and are subject to supply and demand."

MLPL's concern is that the biodiversity requirements (under the existing legislative and regulatory requirements) may be different to forecast and/or the cost of meeting those obligations are uncertain and beyond MLPL's control. MLPL has amended the proposed biodiversity event to address the points raised by the AER in its Initial Draft Decision and we request the AER to reconsider this revised definition:

> A biodiversity event occurs if there is a change in MLPL's biodiversity obligations in relation to Marinus Link which results in a cost impact (positive or negative) to achieve compliance, where a change in MLPL's biodiversity obligations means:
>
> ~~(a) A new legislative or regulatory requirement from those that applied at the date of MLPL's Revenue Proposal.~~
>
> (a) A decision by a planning authority which requires additional measures be taken to avoid and minimise biodiversity impacts (or to refuse an application based on those impacts), or increase

[73] AER, Transgrid's HumeLink Stage 2 Delivery Contingent Project Application, August 2024, page 24.

or decrease the credit obligations identified by MLPL at the time of its revised Revenue Proposal.

(b) The decision referred to in paragraph (a) excludes a decision which results from a legislative or regulatory change where that change falls within the definition of a regulatory change event.

The cost impact is the net effect of the incremental changes in MLPL's biodiversity obligations in relation to Marinus Link, noting that a combination of positive and negative incremental changes may arise. For the avoidance of doubt, the cost impact includes Marinus Link's prudent and efficient internal costs in responding to the change in MLPL's biodiversity obligations in addition to the direct costs of meeting those changed obligations.

Note: In assessing a biodiversity event, the AER will have regard to, amongst other things:

- The compliance options facing MLPL, having regard to the constraints imposed by the project timeframes; and
- The time value of money to address any timing differences between the incremental allowance provided by the AER and incremental costs (or savings) incurred as a result of the change in obligations.

In the absence of the AER approving this pass through event, MLPL's risk allowance would need to be increased to compensate for the risk. As already noted, MLPL's strong preference is that the AER approves this pass through event, which will ensure that network charges are kept as low as possible.

9.3 Materiality threshold and cost recovery

Materiality Threshold

The Rules require that positive pass throughs meet a materiality threshold greater than 1% of MAR in a regulatory year. As explained in MLPL's Revenue Proposal, during the first regulatory period, being 2025-30, MLPL will not have a MAR because it will not recover any revenue from electricity customers during this period. This is because transmission services will only commence from 1 July 2030, i.e., the start of the second regulatory period.

Our Revenue Proposal for Part A (Early works) explained how this issue could be addressed, and MLPL commented on this matter in its Revenue Proposal. In particular, we proposed to include a proxy MAR for each year of the regulatory period for the purposes of identifying a materiality threshold. The AER accepted this proposed approach in its determination for Part A (Early works) on the basis that it is in line with the approach

adopted by other TNSPs, including Directlink and Murraylink. However, the AER's Initial Draft Decision did not make any comment on this matter.

Consistent with the AER's determination for Part A (Early works), MLPL reiterates its earlier proposal to adopt this approach to determine the materiality threshold for the 2025-30 regulatory period. For the avoidance of doubt, MLPL proposes that the notional MAR adopted for this purpose is the non-concessional MAR, as shown in Table 2, rather than the concessional MAR.

Cost Recovery

As already noted, Marinus Link will not commence revenue recovery until 1 July 2030, the start of the second regulatory period. This means that during the first regulatory period, should a cost pass through event occur, there would be no revenue to adjust in order to recover the cost impact of the event.

In its determination for Part A (Early works), the AER decided to address this issue by adding any adjustment for cost pass throughs to the approved capital expenditure for the relevant year. This in turn would be capitalised in MLPL's RAB and would remain in the RAB until the full revenue and pricing determination is made for the second regulatory period. Marinus Link would then be able to recover the costs through its MAR.

The AER determined that this approach is appropriate because it is consistent with the process established for intending TNSPs to recover costs incurred before assets are commissioned (i.e., all efficient costs are capitalised and earn a rate of return until Marinus Link commences the supply of prescribed services).

MLPL proposes that the same cost recovery approach is applied in the 2025-30 regulatory period, such that where the AER determines that:

- a positive change event has occurred, the approved pass through amount will be added to the RAB, and
- a negative change event has occurred, the negative pass through amount will be deducted from the RAB.

Where positive change event and negative change event are defined in the Rules.

10. Indicative annual revenues and prices from 1 July 2030

Key Points:

- This revised Revenue Proposal sets out the forecast construction expenditure required to commission the first stage and ensure readiness for the second stage. For the purpose of this revised Revenue Proposal, it is assumed that the cable construction will be completed by 30 June 2030, but will not be operational until the second regulatory period, commencing on 1 July 2030.
- While MLPL will not recover revenue during this regulatory period, our customers and stakeholders want to understand MLPL's indicative revenue requirements and the impact on network charges when services commence. The principal purpose of this chapter, therefore, is to provide this indicative information.
- Based on indicative concessional finance information, MLPL estimates that its annual average revenue requirement over the 2030-35 regulatory period will be $169.6 million ($ real 2023). However, this estimate is indicative as a concessional finance agreement has not been entered into.
- As explained in our Revenue Proposal, the indicative impact of our revenue requirement in 2031-32 is that it will add approximately $47 to a typical residential customer's annual electricity bill in Tasmania, and approximately $20 in Victoria compared to today's transmission charges, expressed in June 2023 prices and excluding GST. FTI Consulting's latest analysis shows that these indicative impacts will be more than offset by customer benefits as Marinus Link results in lower wholesale energy costs.

10.1 Notional maximum allowed revenues during the 2025-30 regulatory period

In accordance with the Rules, the MAR is the sum of the revenue building blocks – namely the return on capital, return of capital (depreciation), operating expenditure, incentive payments, and corporate tax allowance. The MAR is calculated in accordance with the standard post-tax building block approach outlined in the Rules using the PTRM. The MAR is the maximum revenue that can be recovered from transmission customers through network charges.

As already explained, MLPL will not recover any revenue until services from Marinus Link commence in the second regulatory period. During the first regulatory period, however, MLPL will accrue a return on its

regulatory asset base, i.e., the return on capital component of the building block approach. Table 16 below shows the return on capital that will be accrued during the first regulatory period, which can be regarded as MLPL's notional maximum allowed revenue, although it will not start to be recovered from customers until the second regulatory period, commencing on 1 July 2030. As explained in section 8.3, we have not included any CESS bonus or penalty in this calculation as we consider it preferable to apply any bonus or penalty when MLPL commences revenue recovery from customers.

MLPL expects to obtain concessional finance, which means that a reduced amount of revenue will be recovered from customers. The concessional finance arrangements have not yet been finalised. The data below shows the notional MAR on a non-concessional basis. We explain the indicative impact of concessional finance on MLPL's MAR during the 2030-35 regulatory period in the next section.

Table 16: Notional maximum allowed revenue 1 July 2025 to 30 June 2030 ($ nominal)

	2025-26	2026-27	2027-28	2028-29	2029-30
Notional maximum allowed revenue $m - non-concessional	36.1	85.6	156.2	225.7	287.0

10.2 Estimated maximum allowed revenues during the 2030-35 regulatory period

While MLPL will not recover revenue from customers until the second regulatory period, our customers and stakeholders are interested to understand MLPL's indicative revenue requirements and the impact on network charges when services commence. Table 17 sets out that indicative information, noting the following caveats:

- the operating expenditure allowance is a high-level indicative estimate;
- the return on capital adopts our estimate of concessional financing, which may change when the arrangements are settled;
- the return on capital employs the closing RAB as at 30 June 2030, noting that the actual RAB may be materially different;
- the return of capital reflects assumed asset lives which may be different to those that actually apply during the 2030-35 regulatory period;
- it reflects an estimate of the benefits of concessional finance, noting that these arrangements have not been settled; and

- the MAR is the smoothed amount, i.e. after applying X factors.

Table 18 sets out the maximum allowed revenue on a non-concessional basis. The table also presents the smoothed revenue requirement in real and nominal terms, as requested by the CAP. This is the revenue that would be recovered if MLPL did not benefit from concessional finance.

Table 17: MLPL's indicative revenue to be recovered from customers (concessional basis)[74]

Category	2030-31	2031-32	2032-33	2033-34	2034-35
Smoothed MAR ($m real 2023)	171.9	163.2	164.1	171.3	177.6
Smoothed MAR ($m nominal)	212.9	207.2	213.6	228.6	242.8

Table 18: MLPL's revenue requirements before adjusting for concessional finance[75]

Category	2030-31	2031-32	2032-33	2033-34	2034-35
Smoothed MAR ($m real 2023)	297.9	302.2	306.5	310.9	315.4
Smoothed MAR ($m nominal)	369.1	383.7	399.0	414.8	431.3

The difference between the Table 17 and Table 18 is the indicative estimated customer benefits from concessional finance for the period 2030-35, which is presented in Table 19 below.

Table 19: Indicative estimated customer benefits from concessional finance 2030-35

Category	2030-31	2031-32	2032-33	2033-34	2034-35
Smoothed MAR ($m real 2023)	126.0	139.0	142.4	139.6	137.8
Smoothed MAR ($m nominal)	156.2	176.5	185.4	186.2	188.5

[74] This is the indicative revenue to be recovered from customers, which incorporates an estimate of the customer benefits of concessional finance (which are not yet settled).

[75] This revenue requirement will not be recovered from customers, as it does not include the benefits of concessional finance. It is shown here for comparative purposes only.

10.3 Indicative prices and customer benefits from 1 July 2030

MLPL's concessional MAR, including the benefit of concessional finance, will be recovered from customers in Tasmania and Victoria in accordance with the Pricing Methodology that will be approved by the AER in its Stage 2 determination, i.e. for the 2030-35 regulatory period. At this stage, we have assumed that MLPL's annual revenue will be recovered 27.6% from Tasmanian customers and 72.4% from Victorian customers.

In our Revenue Proposal, we explained that the price impact of MLPL on average transmission charges in Tasmania and Victoria can be estimated by:

- calculating the annual MAR for each region, including an estimated benefit of concessional finance;[76]
- further allocate the MAR in each region between major industrial customers, small business customers and residential customers in those regions;
- estimate the transmission proportion of an indicative customer bill; and
- estimate the resulting increase in the transmission proportion of an indicative customer bill as a result of the addition of MLPL's MAR.

MLPL obtained assistance from TasNetworks and AEMO to undertake the above calculation, as those parties are responsible for transmission pricing in Tasmania and Victoria, respectively. In our Revenue Proposal, we presented the estimated impact that MLPL's 2031-32 MAR[77] would have on transmission charges for residential and small business electricity customers in Tasmania and Victoria compared to today's transmission charges:[78]

- an increase of approximately $47 in transmission charges for a typical residential customer in Tasmania; and
- an increase of approximately $20 in transmission charges for a residential customer in Victoria.

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[76] As explained in section 6.4, this information is indicative because a concessional finance agreement has not yet been entered into.

[77] The 2031-32 MAR has been used because all construction expenditure is forecast to have been incurred prior to the start of this year and Marinus Link is expected to be operational.

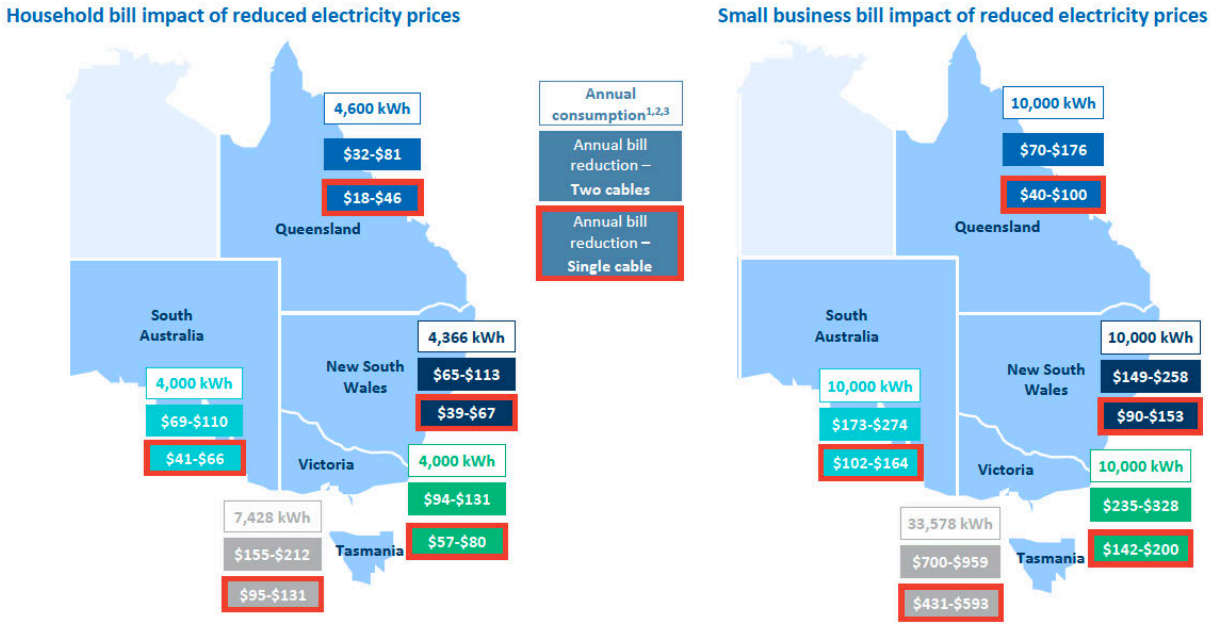
[78] All data is expressed in June 2023 prices and excludes GST. This analysis excludes the price impact of the North West Transmission Developments, which are being progressed by TasNetworks. For Tasmanian customers, the data was obtained from TasNetworks. For Victorian customers, information from the 2024-25 Victorian Default Offer Report was used for the annual bill and usage.

As our revised revenue requirements are closely aligned with those submitted in November, we have not updated the price impact information noting that it is indicative only.

Our Revenue Proposal also included an estimate of the expected benefits that Stage 1 of Project Marinus would provide in terms of savings in the wholesale energy portion of customers' power bills. At the time of our Revenue Proposal, FTI Consulting estimated that these savings would be approximately $93 per annum for Tasmanian residential customers and $53 per annum for Victorian residential customers. Taking account of the expected costs of the North West Transmission Developments, these benefits indicated average net savings to typical residential customers in both Victoria and Tasmania in the range $25 – $36 per customer per annum.[79] These estimates exclude the broader benefits from Marinus Link associated with economic and employment growth, including multiplier effects, as detailed in EY's study in October 2023.[80]

As MLPL has updated the RIT-T analysis, we also asked FTI consulting to update its estimate of the customer benefits. FTI Consulting's updated analysis shows increased projected wholesale price savings in Tasmania and Victoria, and savings in other jurisdictions, as shown in Figure 13 below.

Figure 13: FTI Consulting's assessment of the wholesale energy price savings from Project Marinus



These estimated savings in wholesale prices should provide confidence to stakeholders that Project Marinus will provide significant net benefits to customers in Tasmania, Victoria and across the NEM. It is also noted

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79 This estimate is the net benefit to customers after allowing for network costs, including an estimate for the NWTDs.

80 EY, The economic contribution of Project Marinus, October 2023.

that these estimated savings exclude the broader benefits from Marinus Link associated with economic and employment growth, including multiplier effects, as detailed in EY's study in October 2023.[81]

[81] EY, The economic contribution of Project Marinus, October 2023.

11. Contingent project provisions

Key Points:

- The Rules provide for the inclusion of a 'contingent project' in the AER's revenue determination, together with defined triggers. If the defined trigger events occur during the regulatory period, the Rules allow the AER to provide an additional capital expenditure allowance for that project.
- In MLPL's Revenue Proposal, we proposed that the second stage for Marinus Link should be classified as a contingent project. In the AER's Initial Draft Decision, the AER did not accept this approach on the grounds that the second stage is already a contingent project by virtue of its actionable status.
- MLPL accepts the AER's Initial Draft Decision in relation to this treatment of the second stage as a contingent project.

11.1 Background

A project that is uncertain to proceed in a regulatory period may be classified as a 'contingent project'. The purpose of classifying a project as a contingent project is that a capital expenditure allowance can be provided by the AER when the timing and costs of the project are more certain, rather than being required to make an estimate at the time of a revenue determination.

When the timing and costs of a contingent project become more certain, the TNSP is able to lodge a contingent project application which commences a review process by the AER to determine a capital expenditure allowance for that project. The AER's review culminates in an amendment to the existing revenue determination to accommodate the forecasts costs of delivery of the project.

The Rules provide two options for a TNSP to propose a contingent project and lodge a contingent project application:

1. As part of a Revenue Proposal,[82] in which the TNSP nominates a trigger event for a project that is reasonably required to be undertaken in the regulatory period;[83] or

[82] Clause 6A.8.A1(a).

[83] Clause 6A.8.1(b)(1).

2. If a project is an actionable ISP project[84].

As explained in section 1.4, Marinus Link is an actionable ISP project that will provide total interconnection capacity of 1500 MW delivered in two 750 MW stages. Ordinarily, as an actionable ISP project a capital expenditure allowance for Marinus Link would be provided through one or more contingent project applications in accordance with the second option outlined above. As MLPL is an Intending TNSP, however, there is no existing revenue determination that can be reopened to include a capital expenditure allowance for Marinus Link. For that reason, the AER's Commencement and Process Paper has set out a regulatory process for establishing a revenue determination for Stage 1 of Marinus Link. This approach, which MLPL supports, raises a question regarding the appropriate approach for providing a capital expenditure allowance for Stage 2.

Our Revenue Proposal explained that we considered it preferable to treat Stage 2 as a contingent project which can be triggered during the first regulatory control period if pre-defined trigger events occur, i.e., in accordance with the first option described earlier.[85] MLPL explained that the advantage of this approach is that it assists stakeholders in understanding the circumstances in which a contingent project application would be lodged by MLPL.

In its Initial Draft Decision, the AER did not accept MLPL's proposed approach for the following reasons:[86]

> "Trigger events for actionable ISP projects that provide less stringent requirements than those in clause 5.16A.5 would be contrary to the intent of the NER. Trigger events for actionable ISP projects with more stringent or alternative requirements would not have any binding effect as the pathway under clause 5.16A.5 would remain available to MLPL. As a consequence, additional trigger events provided through the revenue determination may lead to misunderstanding among stakeholders about the conditions under which MLPL may submit a contingent project application for Project Marinus as an actionable ISP project."

11.2 MLPL's revised proposal

MLPL notes the AER's concerns that its proposed approach may lead to misunderstanding among stakeholders about the conditions under which MLPL may submit a contingent project application for Project Marinus as an actionable ISP project. As explained in the Revenue Proposal, MLPL's intention was to provide clarity to stakeholders by making it clear that we would rely on AEMO to indicate the optimal timing for the second stage. While MLPL continues to regard its approach as preferable in that regard, MLPL

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84 Clause 6A.8.A1(b).

85 Clause 6A.8.A1(a).

86 AER, Initial Draft Decision - Marinus Link Stage 1, Part B (Construction costs), Transmission Determination 2025-30, May 2025, pages 24 and 25.

accepts the AER's Initial Draft Decision noting that the second stage is currently a contingent project by virtue of its status as an actionable ISP project.

12. Concluding comments and next steps

This revised Revenue Proposal explains MLPL's approach to delivering Stage 1 of Marinus Link, which is to construct the first stage and to undertake the necessary works in readiness for the second stage. It builds on the Revenue Proposal, which we submitted in November 2024, by updating the expenditure forecasts and responding to the matters raised by the AER in its Initial Draft Decision.

To a large extent, MLPL supports the AER's position in its Initial Draft Decision and welcomes its findings that our forecast capital expenditure for cables and converter station equipment is prudent and efficient. MLPL has responded to particular issues raised by the AER in its Initial Draft Decision relating to:

- the design of the capital expenditure sharing scheme;
- the nominated pass-through events.

MLPL considers that it has addressed the concerns raised by the AER, with a particular focus on the best interests of customers. As explained in this revised Revenue Proposal, we have consulted with stakeholders and the CAP in developing our revised position on these matters. The next stage of the revenue setting process is the AER's publication of its supplementary Draft Decision by 10 October 2025.

The AER's determination in relation to this revised Revenue Proposal will conclude the AER's stage 1 determination for MLPL. As explained in this revised Revenue Proposal, MLPL will not recover any revenue from electricity customers during this period. This is because Marinus Link is not expected to be commissioned until after 1 July 2030 i.e., during the second regulatory period. MLPL's annual revenue requirement for the second regulatory period will be determined in Stage 2 of the revenue determination process, which will require MLPL to submit its Revenue Proposal by 31 January 2029.

13. Glossary

Acronym/Term	Definition
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
BOW	Balance of Works
CAP	Consumer Advisory Panel
CESS	Capital Expenditure Sharing Scheme
CPA	Contingent Project Application
FID	Final Investment Decision
HDD	Horizontal Directional Drilling
HVAC	High Voltage Alternating Current
HVDC	High Voltage Direct Current
ISP	Integrated System Plan
LME	London Metal Exchange
MAR	Maximum Allowed Revenue
MLPL	Marinus Link Pty Ltd
MW	Megawatt
NEM	National Electricity Market
NWTD	North West Transmission Developments
ODP	Optimal Development Path
OEM	Original Equipment Manufacturer
RAB	Regulatory Asset Base
RBA	Reserve Bank of Australia
RFM	Roll Forward Model
RIT-T	Regulatory Investment Test for Transmission
RORI	Rate of Return Instrument
SCADA	Supervisory Control and Data Acquisition
TNSP	Transmission Network Service Provider
TRET	Tasmanian Renewable Energy Target

14. Appendix: Rules checklist

Our application for a revenue determination identified those elements of an AER decision under clause 6A.14.1 of the National Electricity Rules that would be addressed under the revised Revenue Proposal (Construction costs). Table 20 below provides cross-references to this revised Revenue Proposal to indicate where the relevant information is provided.[87]. A red cross indicates there is not a requirement for MLPL to comply with the rules in this revised Revenue Proposal, and thus there is no cross reference in this proposal.

Table 20: Rules compliance

Clause 6A.14.1 - Contents of decisions	Stage 1	
	Applicable in Part B?	Cross reference
A draft decision under rule 6A.12 or a final decision under rule 6A.13 is a decision by the AER:		
(1) on the Transmission Network Service Provider's current Revenue Proposal in which the AER either approves or refuses to approve;		
(i) the total revenue cap for the provider for the regulatory control period;	✗	N/A
(ii) the maximum allowed revenue for the provider for each regulatory year of the regulatory control period;	✗	N/A
(iii) the values that are to be attributed to the performance incentive scheme parameters for any service target performance incentive scheme that is to apply to the provider in respect of the regulatory control period;	✗	N/A
(iv) the values that are to be attributed to the efficiency benefit sharing scheme parameters for any efficiency benefit sharing scheme that is to apply to the provider in respect of the regulatory control period; and	✗	N/A
(v) the commencement and length of the regulatory control period that has been proposed by the provider, as set out in the Revenue Proposal, setting out the reasons for the decision;	✓	Section 1.2

[87] Marinus Link, Intending TNSP application for a revenue determination, section 3.5, 31 March 2023.

Clause 6A.14.1 - Contents of decisions	Stage 1	
	Applicable in Part B?	Cross reference
(2) in which the AER either:		
(i) acting in accordance with clause 6A.6.7(c), accepts the total of the forecast capital expenditure for the regulatory control period that is included in the current Revenue Proposal;	✓	Chapter 5, plus Attachments 1 - 9.
(ii) acting in accordance with clause 6A.6.7(d), does not accept the total of the forecast capital expenditure for the regulatory control period that is included in the current Revenue Proposal, in which case the AER must set out its reasons for that decision and an estimate of the total of the Transmission Network Service Provider's required capital expenditure for the regulatory control period that the AER is satisfied reasonably reflects the capital expenditure criteria, taking into account the capital expenditure factors;	✓	
(3) in which the AER either:		
(i) acting in accordance with clause 6A.6.6(c) or clause 6A.6.6(c1), accepts the total of the forecast operating expenditure for the regulatory control period that is included in the current Revenue Proposal;	✗	N/A
(ii) acting in accordance with clause 6A.6.6(d), does not accept the total of the forecast operating expenditure for the regulatory control period that is included in the current Revenue Proposal, in which case the AER must set out its reasons for that decision and an estimate of the total of the Transmission Network Service Provider's required operating expenditure for the regulatory control period that the AER is satisfied reasonably reflects the operating expenditure criteria, taking into account the operating expenditure factors;	✗	N/A
(4) in which the AER determines:		
(i) whether each of the proposed contingent projects (if any) described in the current Revenue Proposal are contingent projects for the purposes of the revenue determination in which case the decision must clearly identify each of those contingent projects;	✓	Section 11.2
(ii) the capital expenditure that it is satisfied reasonably reflects the capital expenditure criteria, taking into account the capital expenditure factors, in the context of each contingent project as described in the current Revenue Proposal;	✓	Section 11.2
(iii) the trigger events in relation to each contingent project (in which case the decision must clearly specify those trigger events); and	✓	Section 11.2
(iv) if the AER determines that such a proposed contingent project is not a contingent project for the purposes of the revenue	✓	N/A

Clause 6A.14.1 - Contents of decisions	Stage 1	
	Applicable in Part B?	Cross reference
determination, its reasons for that conclusion, having regard to the requirements of clause 6A.8.1(b).		
(5) [Deleted]	N/A	N/A
(5A) in which the AER determines how any applicable capital expenditure sharing scheme, small-scale incentive scheme or demand management innovation allowance mechanism is to apply to the Transmission Network Service Provider;	✓	Chapter 8
(5B) on the allowed rate of return for each regulatory year of the regulatory control period;	✓	Chapter 6
(5C) on the allowed imputation credits for each regulatory year of the regulatory control period;	✓	Chapter 6
(5D) on the regulatory asset base as at the commencement of the regulatory control period in accordance with clause 6A.6.1 and Schedule 6A.2;	✓	Chapter 7
(5E) on whether depreciation for establishing the regulatory asset base as at the commencement of the following regulatory control period is to be based on actual or forecast capital expenditure; Note: See clause S6A.2.2B.	✗	N/A
(6) [Deleted]	-	-
(7) [Deleted]	-	-
(8) on the Transmission Network Service Provider's current proposed pricing methodology, in which the AER either approves or refuses to approve that methodology and sets out reasons for its decision	✗	N/A
(9) on the additional pass through events that are to apply for the regulatory control period in accordance with clause 6A.6.9.	✓	Chapter 9