MARINUS LINK

Explanation of Capital Expenditure Requirements

Attachment 3: Balance of Works

Revised Revenue Proposal

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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Executive summary

Purpose

Marinus Link Pty Ltd (**MLPL**) has prepared this document to support its revised Revenue Proposal – Part B (Construction costs). This document relates to 'Balance of Works', which is the final of the three works packages that have been subject to competitive tender. The other two works packages relate to:

- Converter station equipment scope of work, which was awarded to Hitachi Energy and contract executed on 1 May 2024 as explained in Attachment 1 of this revised Revenue Proposal; and
- Submarine and land cables scope of work, which was awarded to Prysmian Powerlink and contract executed on 1 August 2024 as explained in Attachment 2 of this revised Revenue Proposal.

The purpose of this document is:

- To describe the activities relating to the Balance of Works scope of work, which are planned to ensure that Marinus Link is delivered on time and within budget.
- To explain MLPL's approach to procuring these services through a competitive tender process to ensure that the best outcome is achieved on behalf of customers in relation to value for money, delivery confidence and service performance.

Overview of scope and timeline

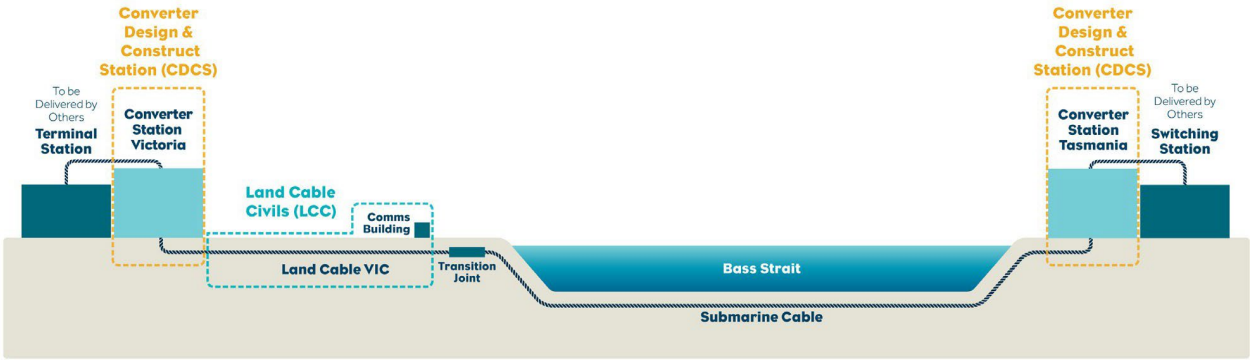
Marinus Link will be delivered in two stages, each providing 750 MW of capacity. AEMO's 2024 ISP has assessed the least cost solution as requiring the first stage to be delivered in 2030-31 and the second stage as early as 2032-33, under the green exports scenario.[1] MLPL is therefore progressing the first stage by 2030, with the timing of the second stage to be informed by AEMO's 2026 and 2028 ISPs. This document relates to the first stage of the project, which will deliver the first cable and undertake sufficient work to facilitate the timely and efficient delivery of the second cable.

As shown in Figure 1 below, the Balance of Works scope of work includes:

[1] AEMO 2024 Integrated System Plan, Appendix 6, Cost Benefit Analysis, June 2024, page 63.

- The detailed design, construction and installation of the balance of plant forming part of the converter stations and buildings, being the main converter interface transformers and the main converter valves, including supports;
- The mechanical and electrical equipment and services;
- Delivery interface management between the BoW, converter and cable packages; and
- The land cable civil works (including trenching works, HDD works and joint bays) and access roads.

Figure 1: Overview of the Balance of Works – Converter Design & Construct Stations and Land Cable Civils



Procurement policy and strategy

MLPL's procurement policy guides MLPL's approach to all procurement related activities and reflects the Commonwealth Procurement Rules. It therefore applies to the procurement of services to deliver the Balance of Works scope of work. In referring to the Commonwealth Procurement Rules, MLPL notes that achieving value for money is a core objective, which requires that procurement processes should:

- Encourage competition and be non-discriminatory;
- Use resources in an efficient, effective, economical and ethical manner;
- Facilitate accountable and transparent decision making;
- Encourage appropriate engagement with risk; and
- Be commensurate with the scale and scope of the business requirement.

In addition to adhering to the procurement policy, our procurement strategy for the Balance of Works has also had regard to:

- Market feedback and optimal packaging decisions;

- Consumer engagement;
- Preferred contractual model; and
- Risk management.

We discuss each of these points in turn.

Market feedback and packaging decision

MLPL's approach to securing services for the Balance of Works has been informed by market review and feedback from prospective service providers. The objective is to design the tender process for the Balance of Works to maximise competitive tension between service providers to deliver the best outcome for consumers. To inform its approach, in October 2023 MLPL engaged MBB Group to prepare a report covering the following scope of work:

- Identify suitable packaging options and contract models to deliver the Balance of Works scope, noting feedback from cable system service providers that there is a low appetite to undertake land cable civil works.
- Assess the packaging options to mitigate the project risks and provide delivery certainty.
- Develop a shortlist of delivery options (the combination of a packaging option and an associated contract model) that could be investigated further by MLPL.
- Undertake market soundings to verify market appetite and obtain market feedback in relation to the shortlisted delivery options.
- Identify a single preferred option on the basis of market feedback and propose next steps to implement the preferred option.

Based on market feedback at that time, MBB Group's (MBB) report recommended three packaging and contracting options for the Balance of Works that should be progressed by MLPL. MBB highlighted the importance of calibrating a suitable commercial profile for this package, noting prospective service providers advised of their unwillingness to participate in a lengthy procurement process involving a large number of tenderers without consideration of tender cost reimbursement.

In February 2024, MLPL commenced a pre-qualification process that provided optionality for implementation of a combined land cable civil works and the converter station equipment buildings and associated works, or two separate works packages. The following pre-qualification responses were received from prospective service providers:

- Three for the combined Balance of Works scope; with participants seeking alternative contracting approaches and reimbursement of bid costs should they proceed to the next phase of the procurement;
- Six for the stand-alone land cable civil works package; and
- No responses for stand-alone converter station buildings and associated works.

These limited responses raised significant concerns, which led to MLPL to temporarily suspend the Balance of Works pre-qualification process to enable MLPL to further review its procurement strategy. Following that review, it was decided to proceed with a combined Balance of Works procurement package, adopting a collaborative contracting approach, which reflected market feedback. The decision to amend the tender and packaging approach led to a more effective process to secure the optimal outcome for consumers.

Consumer engagement

MLPL's engagement with the Consumer Advisory Panel (**CAP**) has helped to inform its procurement approach, including in relation to the Balance of Works. In particular, the CAP has consistently raised three matters during the engagement process that are relevant to MLPL's procurement strategy:

- **Local suppliers**. The CAP has encouraged MLPL to consider how international suppliers can work with Australian partners to employ and support local suppliers.
- **Risk trade-offs**. The CAP has encouraged MLPL to consider risk trade-offs in making procurement decisions. At MLPL's suggestion, the CAP appointed an independent procurement advisor to assist it understand how risk trade-offs were being managed by MLPL and to provide feedback on MLPL's procurement approach.
- **Total project costs**. CAP members have consistently urged MLPL to keep consumers front of mind when making decisions, highlighting that many consumers are on fixed incomes that are not keeping up with inflation.

MLPL welcomes this feedback from the CAP. To address the feedback in relation to local suppliers, MLPL arranged 'Meet the Proponents' events in North West Tasmania and Gippsland, Victoria, to provide an opportunity for local businesses to meet the prospective proponents. Suppliers and subcontractors were also encouraged to register their interest with the Industry Capability Network (ICN), with their details made available to proponents.

Contractual model

Market feedback from prospective service providers indicated that fixed price contractual arrangements in relation to provision of Balance of Works may be rejected entirely by the market. As a consequence, MLPL considered either an Incentivised Target Cost (ITC) or Alliance-style contracting models. While both models

are resource-intensive to establish, setting up for a successful Alliance procurement was assessed as being more challenging, particularly in relation to establishing an appropriate team culture. An ITC contracting model was also considered to be preferable, as it would provide incentives in relation to cost and delivery performance while maintaining the contractor's responsibility for achieving the project milestones and quality standards. An ITC contracting model was therefore adopted as the preferred contractual arrangements.

Under the ITC contracting model, the contractor is paid Actual Outturn Cost (**AOC**), which includes all direct and indirect costs (reimbursable costs) incurred to deliver the Balance of Works scope. A Target Outturn Cost (**TOC**) is also specified in the contract, with overruns and underruns between the AOC and TOC shared between the contractor and MLPL. Under this model, therefore, the contractor is incentivised using a 'pain-share' and 'gain-share' regime based on the overruns and underruns relative to the TOC. This model is considered to provide a good balance of risk and incentive to the contractor and encourages a collaborative planning and problem solving approach.

Risk management

MLPL has undertaken extensive work to scope the Balance of Works requirements, identify and assess MLPL's risks and take appropriate steps to mitigate those risks. The overarching approach to risk is to minimise the total expected costs to consumers by allocating risk to the party best able to manage it, having regard to MLPL's delivery model in which the Integrated Delivery Partner will play an important role in managing residual risks. MLPL held several risk workshops to undertake an assessment of the risks, so that we could make best use of the workshop participants' combined experience and knowledge. MLPL considers that this systematic approach to risk management has assisted in minimising the total costs of delivering the Balance of Works scope, thereby ensuring that the resulting expenditure is prudent and efficient. A detailed report addressing the risk allowance has been prepared by E3 Advisory, and is provided as Attachment 7 of this revised Revenue Proposal.

Tender outcomes and forecast expenditure

At the time of our Revenue Proposal in November 2024, the Balance of Works tender had not been completed. MLPL therefore submitted a detailed cost estimate prepared by Tracey Brunstrom & Hammond Consultants (**TBH**). TBH provided a report on each of the two elements that comprise the Balance of Works scope. The AER did not review that forecast in its Initial Draft Decision, as the competitive tender process had not been completed at that time. This revised Revenue Proposal now provides a Class 2 cost estimate for the AER's assessment in its supplementary Draft Decision, following the selection of the following shortlisted respondents to the tender process in January 2025:

- **TasVic Greenlink**, which is a joint venture of DT Infrastructure Pty Ltd (DTI) and Samsung C&T Corporation (Samsung C&T); and

- **Empower**, which is a joint venture of CPB Contractors Pty Limited (CPB Contractors) and UGL Pty Limited (UGL).

The shortlisted respondents have now completed the Development Phase of the tender process, which is a collaborative approach that is designed to create competitive tension between the two respondents while working closely with MLPL to develop a detailed understanding of the scope of work, identify and allocate risk and develop a detailed forecast of project expenditure. The Development Phase includes:

- Design development progressed to a sufficient level of definition to support accurate pricing, program planning and key interfaces, suitable for Class 2 estimate inputs;
- Design development progressed to a sufficient level of definition to support accurate pricing, program planning and key interfaces, suitable for Class 2 estimate inputs; and
- Participation in structured interactive workshops with MLPL with a focus on engineering, innovation, commercial alignment, design development, program optimisation and KRA and KPI's to support performance-based delivery.

Following earlier TOC estimates in weeks 12 and 16 which have been reviewed and refined, 'week 20' offers have now been received from both shortlisted respondents. These TOC estimates have been subject to reviews by MLPL's independent assurance advisors, as described below:

- The Independent Estimator compares the TOCs prepared by the shortlisted respondents on a 'like for like' basis and provide assurance to MLPL that the TOCs developed by the shortlisted respondents are a reasonable estimate of the likely cost to deliver the Balance of Works scope, risks and schedule.
- The Financial Auditor assesses the TOCs prepared by shortlisted respondents to provide assurance to MLPL that the following components of the TOC build up are reasonable: the reimbursable cost, reimbursable cost multipliers, corporate overheads & profit, salary banding, and wage rates.

The forecasts presented in Table 1 below reflect the outcome from the TOC estimates provided by the shortlisted bidders, following the reviews conducted by MLPL's independent assessors.

Table 1: Forecast expenditure for Balance of Works ($m real 2023)[2]

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Land cable civil works*	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

[2] The placeholder estimates excludes testing and commission expenditure, which is expected to be incurred after 30 June 2030.

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Converter stations buildings and support works*	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Project management, overheads and other*	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total*	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

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

Prudency and efficiency

The competitive tender strategy developed and employed by MLPL was designed to maximise competitive tension between prospective service providers to ensure the best price-service outcome for customers. Specifically, as explained in this document:

- The Balance of Works scope is consistent with the project requirements;
- MLPL undertook market analysis and market soundings, supported by independent expert advice, to inform its packaging approach and maximise competition between prospective service providers;
- MLPL has considered the feedback from consumers in developing its procurement approach;
- MLPL's procurement policy is consistent with the Commonwealth Procurement Rules, which has a core focus on ensuring that expenditure is efficiently incurred;
- The packaging of the required works has been designed to reduce interface risks (and costs), while maximising competition between service providers;
- The selection of the preferred contract model was informed by a strategic objective to drive strong market engagement, enable efficient project delivery, ensure commercial viability and achieve a value for money outcome; and
- MLPL's procurement strategy has been executed in accordance with a best practice procurement and probity plan.

These observations summarise why the price and service offering for the Balance of Works scope of work, which were obtained through competitive tender processes, reflect prudent and efficient expenditure. In addition to the above observations, Aurecon Advisory has reviewed MLPL's forecast capital expenditure for the Balance of Works scope and concluded that the Class 2 estimate provided by MLPL is reasonable and has been subject to extensive external assurance. Aurecon Advisory's report is provided in Attachment 9 of this revised Revenue Proposal.

Contents

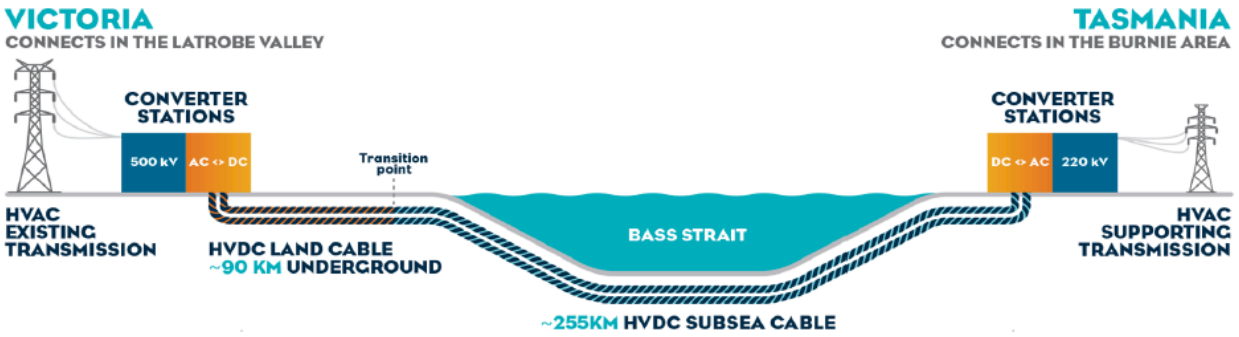
1 Introduction and overview

1.1 Purpose

Marinus Link is an infrastructure project of national significance which is expected to deliver substantial benefits to electricity consumers by reducing wholesale electricity costs. It involves the construction of approximately 255 kilometres of submarine HVDC cable and approximately 90 kilometres of underground HVDC cable in Victoria. It also includes converter stations in Tasmania and Victoria.

The total interconnection capacity will be 1500 MW, provided through two 750 MW cables which will be delivered in two stages. Figure 2 provides a schematic overview of Marinus Link.

Figure 2: Overview of Marinus Link



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, while TasNetworks is responsible for the supporting transmission assets in Tasmania called North West Transmission Developments.

MLPL has commenced its revenue determination process, which is being undertaken by the AER in accordance with Part D, clause 6A.9 of the National Electricity Rules (**the Rules**) and the AER's Commencement and Process Paper, which sets out the AER's timetable and process for setting MLPL's regulated revenues. The first part of that process was completed in December 2023 with the publication of the AER's determination on MLPL's Revenue Proposal – Part A (Early works).[3]

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

This supporting document, which addresses MLPL's forecast expenditure for the Balance of Works, forms part of MLPL's revised Revenue Proposal Stage 1 – Part B (Construction costs). It 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;
- Confirmed that the AER's supplementary Draft Decision will assess the remaining capital expenditure forecasts comprising the Balance of Works tender, risk allowance and MLPL's support activities.

As anticipated in the AER's Initial Draft Decision, the Balance of Works tender process has now progressed so that a Class 2 estimate is able to be submitted to the AER, noting that contract negotiations are on-going.

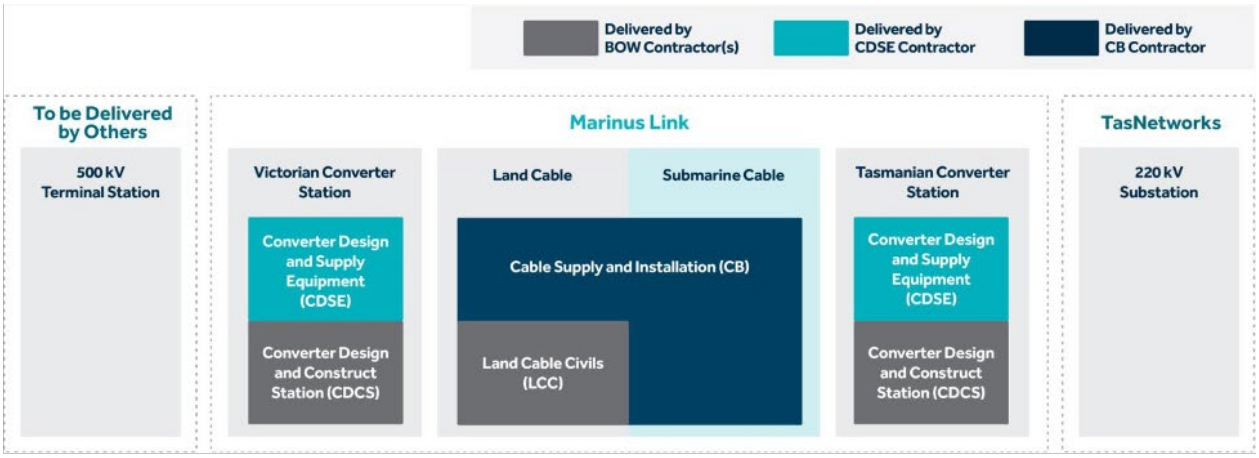
1.2 Scope

This section describes the Balance of Works that is addressed by this document, including:

- An explanation of the proposed works and how they relate to the overall project, i.e., Marinus Link;
- A high level description of the activities that are included in this scope of work; and
- An overview of the different sources of risk that may affect the execution of the required works.

Figure 3 provides an overview of the Balance of Works deliverables and how it interfaces with the cable systems and converter station equipment works packages.

Figure 3: Overview of the Balance of Works

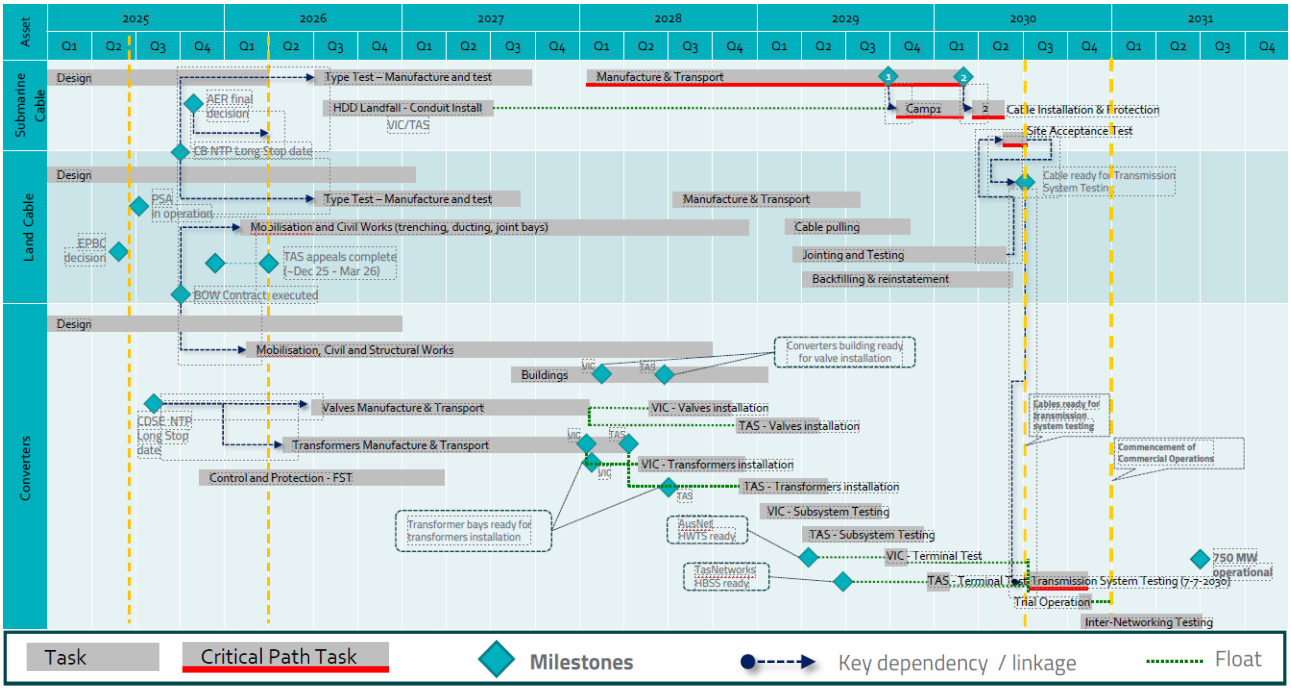


At a high level, Balance of Works comprises:

- 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.

Figure 3 shows the timeline for completing the Balance of Works in the context of the manufacturing, construction and commissioning phase plan for the broader project.

Figure 4: Manufacturing, Construction and Commissioning Phase Plan for Marinus Link



Further information on the Balance of Works elements is presented in sections 1.2.1 and 1.2.2 below.

1.2.1 Converter Design and Construct Stations

Figure 4 shows the scope of the converter design and converter station construction component of the Balance of Works and its interface with the two works packages being delivered by Hitachi Energy and Prysmian Powerlink – the converter station equipment works package (CDSE) and cable systems, respectively.

Figure 5: Converter design and station construction – scope and interfaces

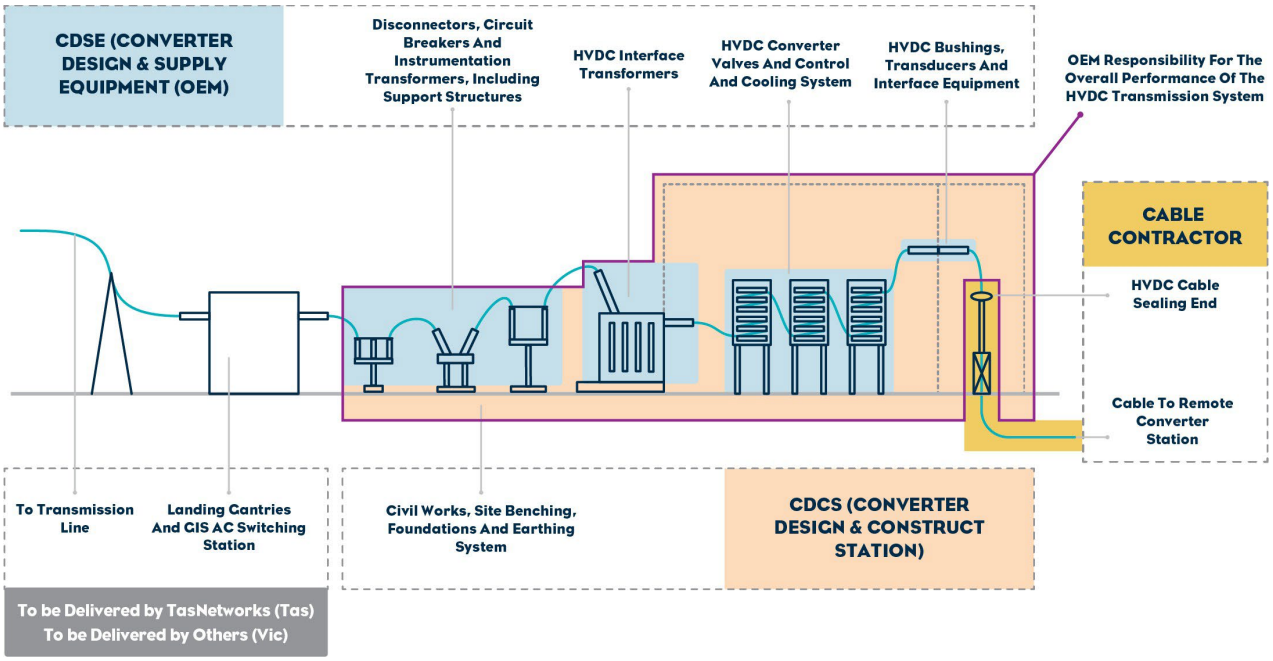


Figure 5 provides an overview of the Heybridge Converter Station site, which is located 8 km east of the township of Burnie along the Bass Highway. The proposed site is enclosed by the Bass Highway from the north where the site boundary is approximately 100 meters from the beach, Minna Road from the east which runs adjacent to the Blythe River and a mountainous landscape to the south and to the west of the site. The site has a gentle north westerly slope. New 220 kV lines will turn in from the south side.

Figure 6: Heybridge Converter Station

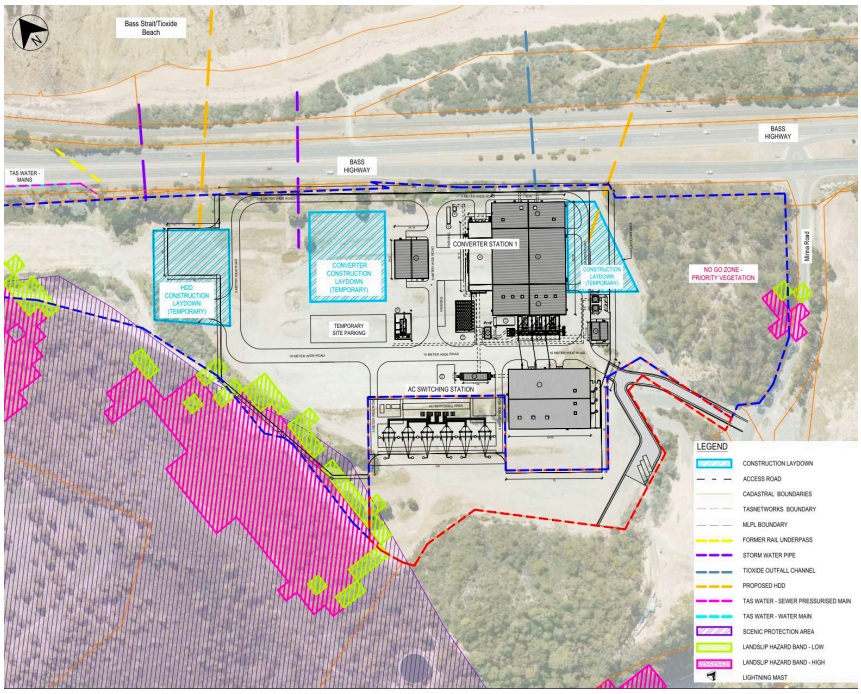
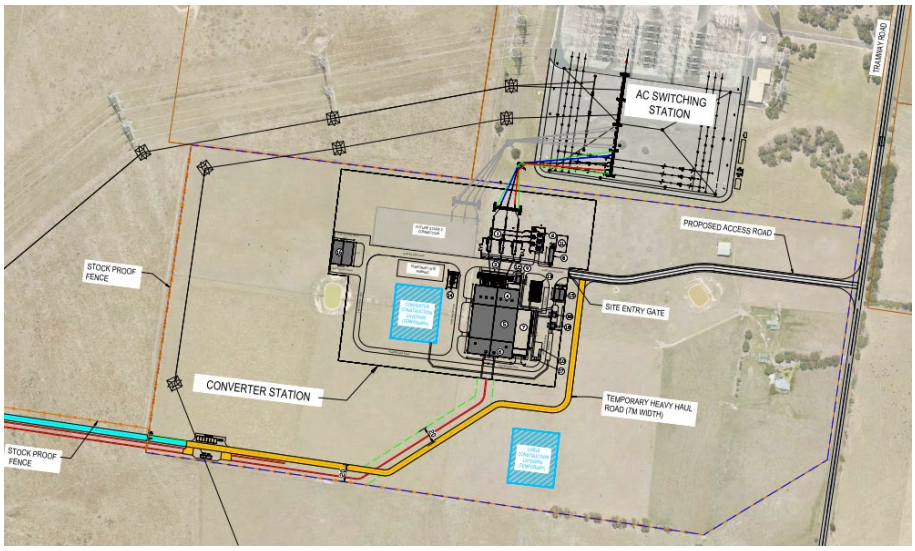


Figure 6 shows the indicative location of the Hazelwood Converter Station is located to the south side of the existing AusNet Services Hazelwood 500 kV terminal station. Currently, the site is farmland and is mostly flat. Existing 500 kV lines run in an east-west direction to the north of the site and connect into the Hazelwood 500 kV terminal station.

Figure 7: Hazelwood Converter Station proposed site



Balance of Works contractor will be responsible for:

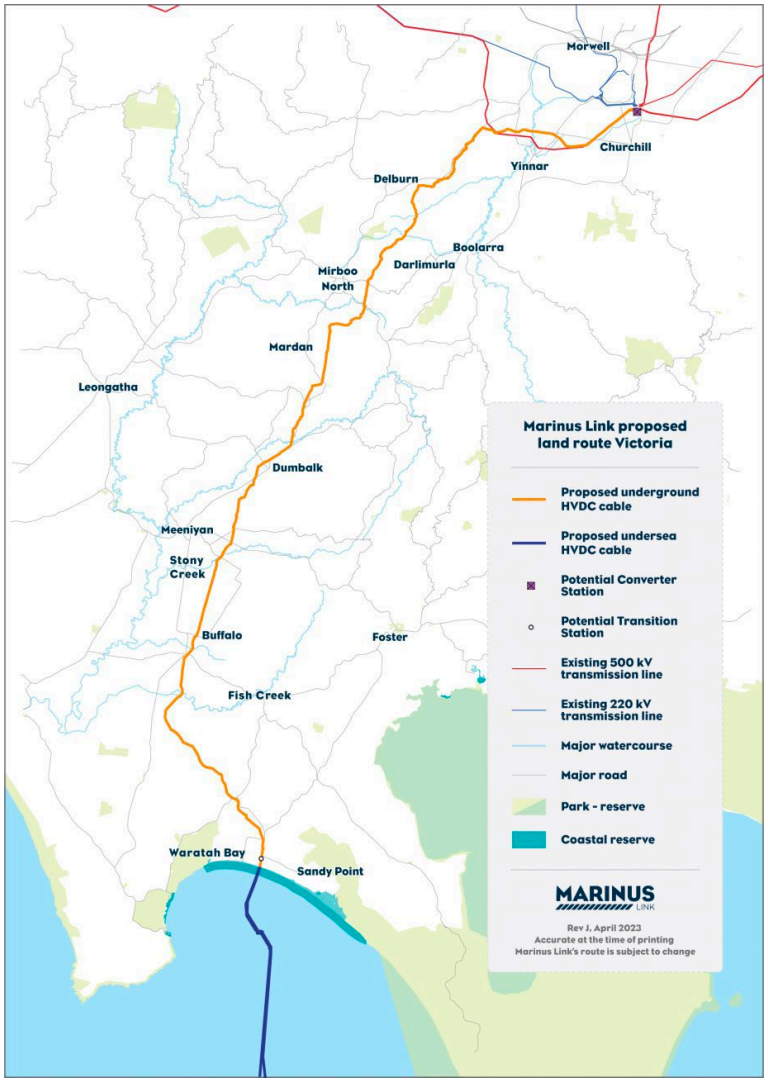
- Managing interfaces between itself and the converter station equipment and cable contractors.
- Detailed design of the converter station buildings and civil works;
- All construction and installation activities unless specifically excluded within this section;
- Acting as 'principal contractor' under the applicable health and safety legislation at both the Heybridge and Hazelwood converter station sites;
- Site clearing, site preparation, fencing and remediation of the Converter Station sites at Heybridge (Tasmania) and Hazelwood (Victoria) for both Stage 1 and Stage 2;
- Design and construction of bulk earthworks, benching, drainage, stormwater outfall, and access roads for both Stage 1 and Stage 2 at Heybridge and Hazelwood; and
- Design, construction and pre-commissioning of the Converter Stations (at Heybridge and Hazelwood) for Stage 1, including
  - the Converter Station buildings and installation of mechanical and electrical equipment systems;
  - elements of the AC and DC switchyards located at Converter Stations that are not being delivered by TasNetworks and AusNet;

- installation of converter equipment supplied by the CDSE Contractor (excluding the main converter transformers and converter valves); and
- storage facilities for onshore spare parts (both temporary and permanent).

1.2.2 Land cable civil works

The land cable route of approximately 90 km runs from Waratah Bay on the Victorian coastline where it continues north adjacent to the Tarwin River, then across the Strzelecki Ranges, where it connects to the Victorian 500 kV transmission network at the Hazelwood Converter Station. Figure 7 sets out the land cable route in Victoria.

Figure 8: Victorian land cable route



In relation to the land cable civil works, roles and responsibilities for the Balance of Works contractor are summarised below:

- The service provider will be responsible for installing both the Stage 1 and Stage 2 cable containment system (pits and ducts). This will include a design component as well as the overall construction component.

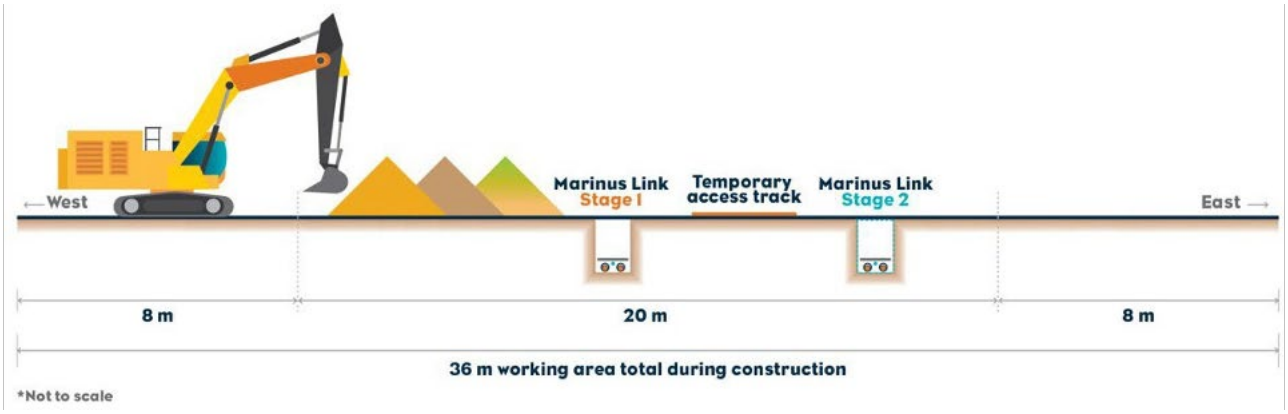
- The service provider will be required to work with both MLPL and the cable system service provider in the development of the construction schedule and cable drum delivery to the cable installation at the site.

- Quality assurance activities will be undertaken by both MLPL and the cable system service provider with latter taking over the conduit system following testing activities and inspection. The containment system will consist of approximately ~88 km of power and communications ducts and jointing pits.

- The service provider will be responsible for establishing the site and ensuring that the cable system service provider is able to undertake cable delivery, installation and jointing activities.

Figure 8 below provides schematic representation of the construction corridor layout.

Figure 9: Indicative Construction Corridor Layout



The planned cable route contains several environmental and geographical features which have resulted in the requirement for 57 horizontal directional drillings (HDDs) along the alignment. To facilitate the installation, MLPL will be negotiating with landholders for a typical construction corridor of 36 m with a permanent easement width of 20 m.

In general, the following equipment and deliverables associated with the Stage 1 and Stage 2 HVDC land cable system will be completed by the Balance of Works contractor:

- Trenching and Civil works.

- Dilapidation reports and assistance with development of farm management plans and access coordination with the Owner's land access staff.

- Design, installation, site surveys, route preparations and civil works associated with the cable containment system and civil infrastructure for both Stage 1 and 2.
- Design and construction of temporary access roads, fencing and construction roads.
- Set-up of laydown areas, temporary storage areas and work sites.
- Security services for all assets, including cable accessories, storage and laydown areas, open joint bays, equipment and other work sites.
- Excavation of trenches.
- Installation of ducts, including jointing and sealing of individual pipe sections as required.
- Installation of HDD ducts along the cable route.
- Construction and installation of joint bays (including drainage systems).
- Backfill and reinstatement of the land cable route with specific backfill material, native soil and topsoil as required.
- Recovery of all equipment reinstatement and repair of public and private roads.
- Provision of all temporary required auxiliary services (e.g. power connection, fresh water, sewage, telecommunication links etc.).
- Installation of cable earthing system (designed by others).
- Installation of in-situ or precast cable joint bays and link box pits.
- Civil maintenance works of the site until the completion of cable system commissioning by the cable system service provider.
- The service provider will need to consider the treatment and appropriate measures to deal with limited volumes of Potential Acid Sulfate Soil (PASS), Actual Acid Sulfate Soil (ASS); and shallow rock:
  - PASS (refers to soil containing sulphide minerals that have not yet been exposed to the air and oxidized, potentially leading to acid drainage if disturbed.
  - ASS is soil that has been exposed to air and has become acidic due to the oxidation of sulphide minerals.
  - Shallow rock refers to rock layers close to the surface, potentially within the reach of construction or excavation activities.

- The service provider will be responsible for the maintenance of the cable alignment and access to cable joint bays and inspection points until the completion of the works. Handover of the site back to the MLPL will only take place once reinstatement activities and reports have been provided.
- The service provider is responsible for known cultural heritage issues, while MLPL will be responsible for unknown cultural heritage issues.
- The service provider must coordinate and manage the Traditional Owner representatives on the site, while MLPL is responsible for the engagement activities.

The Balance of Works contractor will also be responsible for undertaking the following design activities to facilitate the installation of the power cable system, including:

- Finalising the cable route design;
- Joint bay hard standing and drainage system;
- Access and haul roads including main road access;
- All temporary works design;
- General arrangement of the overall construction site arrangement including stockproof fencing, gates, access points, roads, drainage, spoil and other considerations of the landowner;
- Development of final cable lengths required for each cable section; and
- Complex crossings and HDD alignments.

The Balance of Works contractor must provide the above deliverables for review by both the cable system service provider and MLPL. Construction drawings must be reviewed prior to the commencement of works.

The Balance of Works contractor is also required to complete an “as built” report, which provides photographic records of the installation, test reports and other such details. The report must include high level explanations of any complex crossings and cable pull pit locations, so that the installation of Stage 2 can be easily completed at a future date.

1.2.3 Sources of risk and mitigation

A major infrastructure project such as Marinus Link will need to address a number of significant challenges, including various sources of risk and uncertainty. In relation to the Balance of Works, a number of risks can be mitigated through careful planning and detailed studies. In particular, MLPL has undertaken significant effort to define and manage the interfaces at the converter sites, as described below.

- **Design**: There is a high degree of technical design interface that will be required as the Balance of Works contractor and Hitachi Energy, the appointed converter station equipment contractor, including for example plans and technical specifications of how the converter equipment will need to be stored, installed, and located.

- **Construction**: During construction, the Balance of Works contractor will be required to prepare the converter sites in preparation for receipt of the converter station equipment. Responsibility for storage of the converter equipment will be held by the Balance of Works contractor, noting it will hold overarching responsibility for the care of the site works and safety management. This creates a complication where the Hitachi Energy will require access to parts of the converter site, including during installation of the HVDC valves and main interface transformers and during inspections of the converter equipment and installation checks.

- **Connection**: Pulling of the cables into the converter stations will be undertaken by Prysmian Powerlink, as the cable system contractor. This task will be a critical milestone as it brings together each of the three contractors when the cables are connected to the converter equipment.

- **Performance**: Ultimate responsibility for the performance of the converter equipment will lie with the Hitachi Energy. Due to the interfaces during design and construction of the converter station (as described above), risks arise if the Balance of Works contractor has not met its contractual obligations.

In relation to the risks associated with the Victorian land cable civil works, the following points are worth highlighting:

- **Ground conditions, topography and weather**: It is impractical to complete survey work for the entire land cable corridor, which leaves uncertainty with respect to the ground conditions that may be faced by the Balance of Works contractor. Risks also arise in relation to topography, cultural heritage or landholder constraints that have the potential to increase costs and disrupt construction, as does inclement weather.

- **High dependency between the cable's technical performance and the construction quality of the civil works**: This dependency creates interface risk between the Balance of Works contractor and Prysmian Powerlink, which needs to be understood and managed. Specifically, it is essential that the installation of underground conduits for the HVDC cables are within design tolerances for Prysmian Powerlink to satisfy its performance requirements.

- **Differences in contract values**. From a risk management perspective, MLPL will not be able to fully recoup delay liquidated damages from the Balance of Works contractor where it delays Prysmian Powerlink, given the substantial cost impact compared to the value of the land cable civil works. While a portion of liquidated damages may be recoverable, a shortfall will need to be covered by MLPL contingencies.

As already noted, MLPL has carefully considered these issues in defining each of the works packages. In addition, each of the contractors is required to work together 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.

In relation to the Balance of Works tender process, the following documents will appropriately guide and govern interface management and mitigate the package interface risk:

- Project Scope and Delivery Requirements (**PSDR**), the PSDR includes:
  - the interface project management and coordination scope applicable to the Balance of Works contractor; and
  - cross-reference to the Interface Specification in relation to technical interface requirements. The agreed Interface Specification will be included as a Schedule in the Delivery Deed.
- Interface Deed. This document sets out the collaboration, review, coordination, access management and dispute resolution procedures that will apply to the management of interfaces on the Project. Hitachi Energy Sweden AB and Prysmian Powerlink S.r.l are expected to execute the Interface Deed in Q3 2025 with the successful Balance of Works contractor to execute as a condition precedent to the Delivery Deed.

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.

1.3 Project timeframes

Marinus Link will be delivered in two stages, each comprising 750 MW of capacity. AEMO's 2024 ISP has assessed the least cost solution as requiring first stage to be delivered in 2030-31 and the second stage as early as 2032-33, under the green exports scenario.[4] MLPL is therefore progressing the construction of the

[4] AEM0 2024 Integrated System Plan, Appendix 6. Cost Benefit Analysis, June 2024, page 63.

first stage with the commencement of commercial operations by December 2030, with the timing of the second stage to be informed by AEMO's 2026 and 2028 ISPs.

While the timing of the second stage is uncertain, the scope of work detailed in this document has been settled. Following the pre-qualification stage, MLPL has progressed its two-stage procurement process, starting with a Request for Proposal (**RFP**), followed by a 20-week Development phase with two shortlisted bidders. The phase aims to:

- Refine the design and scope sufficiently to establish a Target Outturn Cost (**TOC**) for the contract and revenue submission;
- Select the Balance of Works contractor for Stage 1 and Stage 2 enabling works; and
- Optimise design, program and construction risk, ensuring that the resulting costs are prudent and efficient.

Table 2 below outlines key Balance of Works procurement milestones and status following the pre-qualification phase.

Table 2: 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

1.4 Structure of this document

The remainder of this document is structured as follows.

- Chapter 2 discusses the market conditions and feedback from prospective service providers relating to the Balance of Works scope, which has informed our procurement strategy;
- Chapter 3 discusses our procurement and tender and the steps MLPL has taken to ensure that it delivers the best outcome for consumers in relation to the Balance of Works;
- Chapter 4 explains the preferred contracting model and the forecast expenditure; and
- Chapter 5 explains why our proposed expenditure for the Balance of Works is prudent and efficient, and includes commentary from Aurecon Advisory's review of the procurement process and forecast expenditure.
- Appendix refers to an accompanying spreadsheet which demonstrates that it is prudent and efficient to undertake the enabling works for Stage 2 as part of the Balance of Works scope for Stage 1.

2 Market review and implications

2.1 Overview

In order to achieve the lowest cost outcome for electricity consumers, 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 rationale for adopting the three package approach was explained in our Revenue Proposal in November 2024 and is set out in Attachments 1 and 2 of this revised Revenue Proposal. The focus of this chapter is to explain the market testing that MLPL specifically undertook to optimise the packaging of the Balance of Works scope.

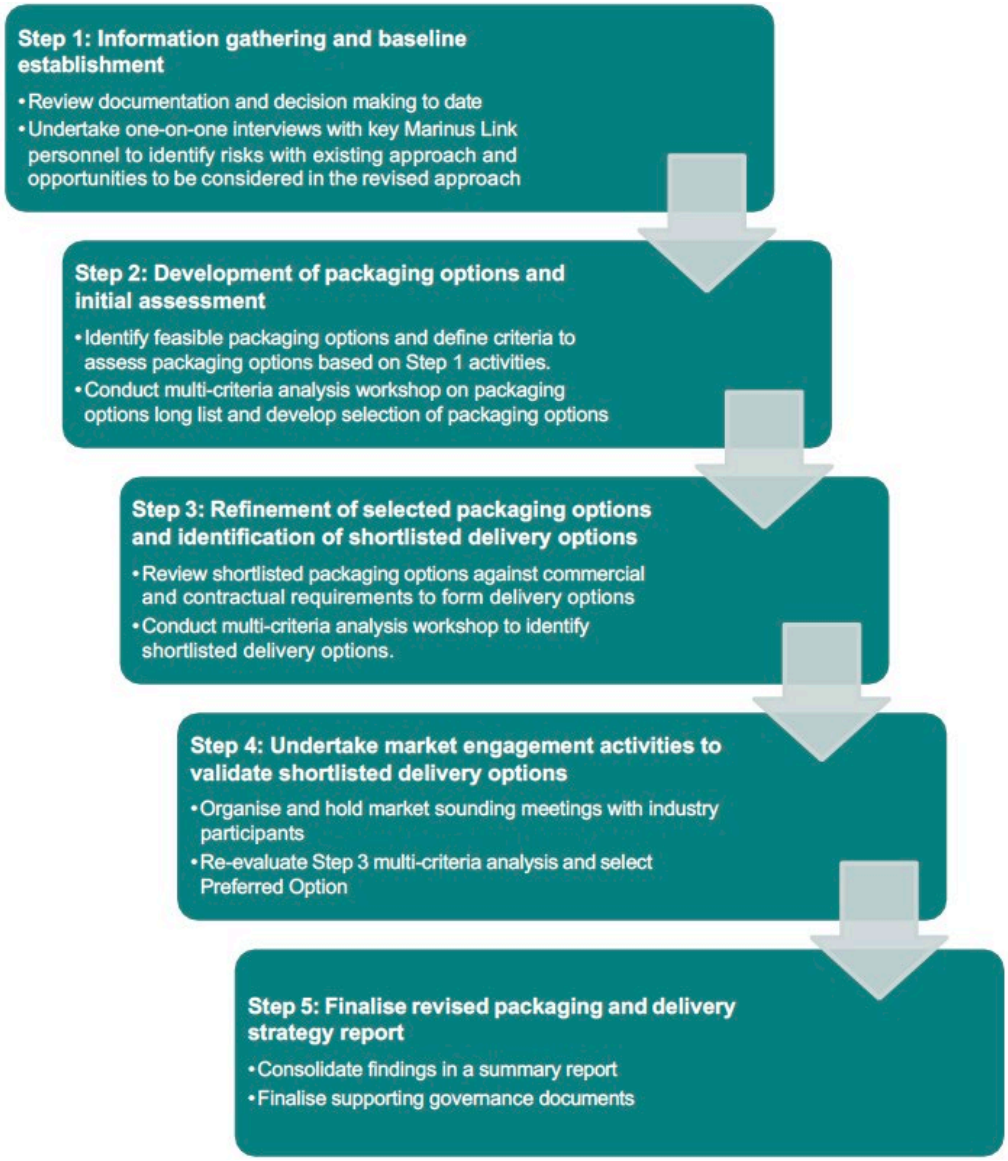
In June 2023, MBB Group were engaged to review the packaging options and delivery options for the Balance of Works scope, having regard to the following objectives:

- Assess the packaging options based on criteria that reflect MLPL's approved commercial framework, mitigate the emergent project risks, and provide delivery certainty;
- Develop a shortlist of delivery options (the combination of a packaging option and an associated contract model) to be investigated further by MLPL;
- Undertake market sounding to verify market appetite and obtain market feedback in relation to the shortlisted delivery options; and
- Identify a preferred option on the basis of market feedback and propose next steps to implement the preferred option.

MBB Group also noted that given the current state of the Australian construction industry, its review should be open to collaborative contract models. This approach is consistent with declining market appetite from head contractors on other major high value linear infrastructure projects in Australia for fixed price contracts.

The package and delivery review comprised 5 steps, with MBB Group initially engaged in June 2023 to undertake Steps 1 to 3, with Steps 4 and 5 completed between August and September 2023, as shown in the figure below.

Figure 10: MBB Group's methodology for identifying preferred packaging options



While maximising competitive tension was a key objective, MBB Group also noted the importance of securing suitably experienced and qualified contractors who are familiar with the legislative, regulatory and community environments in which the Balance of Works scope would be delivered, including:

- Familiarity with Australian and State legislative requirements, especially in relation to the environmental management, stakeholder engagement and industrial relations;
- An understanding of social licence and experience managing stakeholder local issues, such as affected landowners in Gippsland, unions and local councils;
- Suitable management systems that are fit for purpose for construction activities in Australia; and
- Established reporting processes.

2.2 Packaging options

MBB Group considered numerous different packaging options based on the finalised Balance of Works scope and the feedback from the one-on-one interviews. In identifying different packaging options, the following elements were considered:

(a) Approximate value of packages

(b) Division of scope by asset type or geography and potential economies of scale

(c) Potential contract models that would be suitable for each package

(d) Potential market players and extent of market competition that be achieved in relation to items (a), (b) and (c)

(e) Consideration of MLPL's capability to directly manage the design of the project's assets

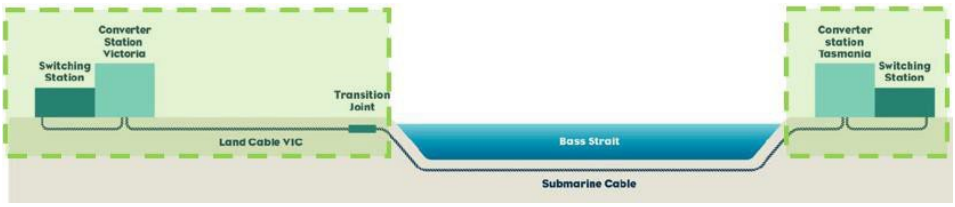
(f) Opportunities to reduce MLPL's risk, particularly for the interface with the other works packages

MBB Group also undertook a preliminary review of potential contract models that could be implemented under each packaging option. MBB reiterated the current trends in the Australian construction industry, where transfer of some construction risks is becoming increasingly difficult by owner organisations. These developments indicated that there is a greater appetite for contract models that contemplate early contractor engagement (to inform and derisk scope), and risk sharing or collaborative contract models that can include gain share/pain share commercial arrangements.

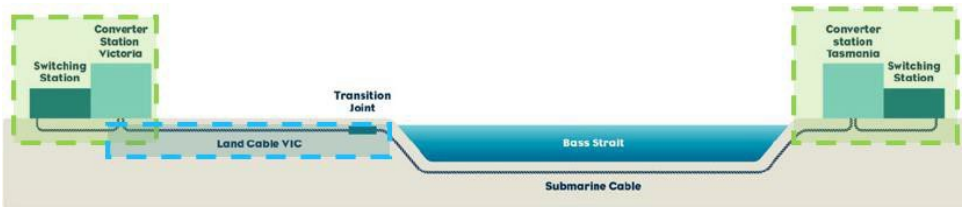
The longlist of packaging options considered by MBB Group are set out below.

Figure 11: Overview of the alternative packaging options

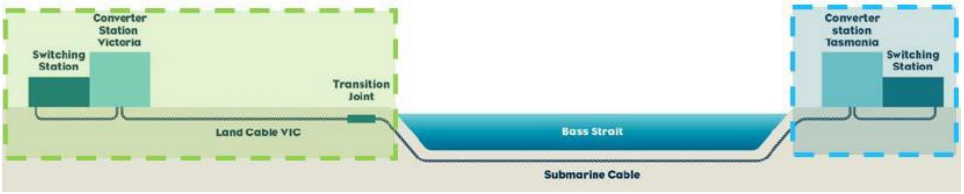
Option 1: Single package options for all Balance of Works scope (under a single head contract)



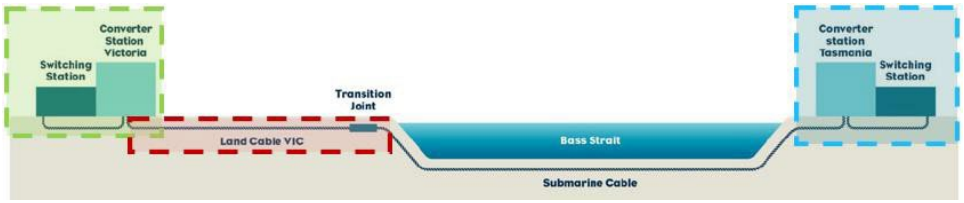
Option 2 and 2A: Two package options split between converter station and land cable civil



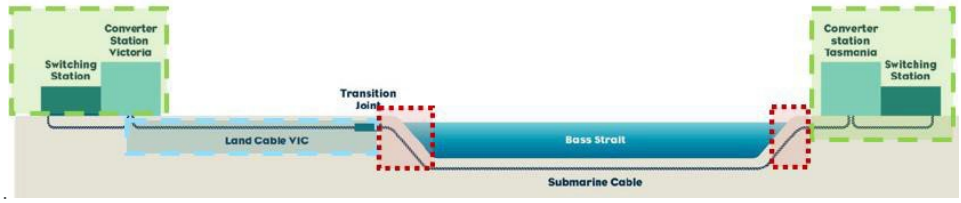
Option 3: Two package options split by geography (Tasmania and Victoria)



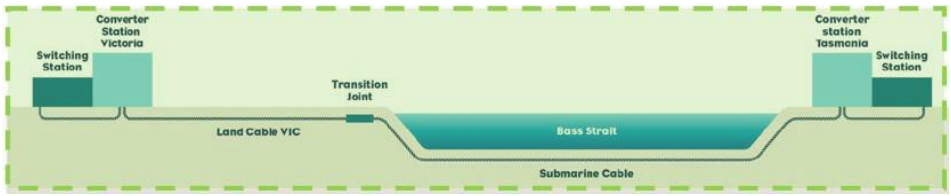
Option 4: Three package options (Two converter stations and land cable civil scope)



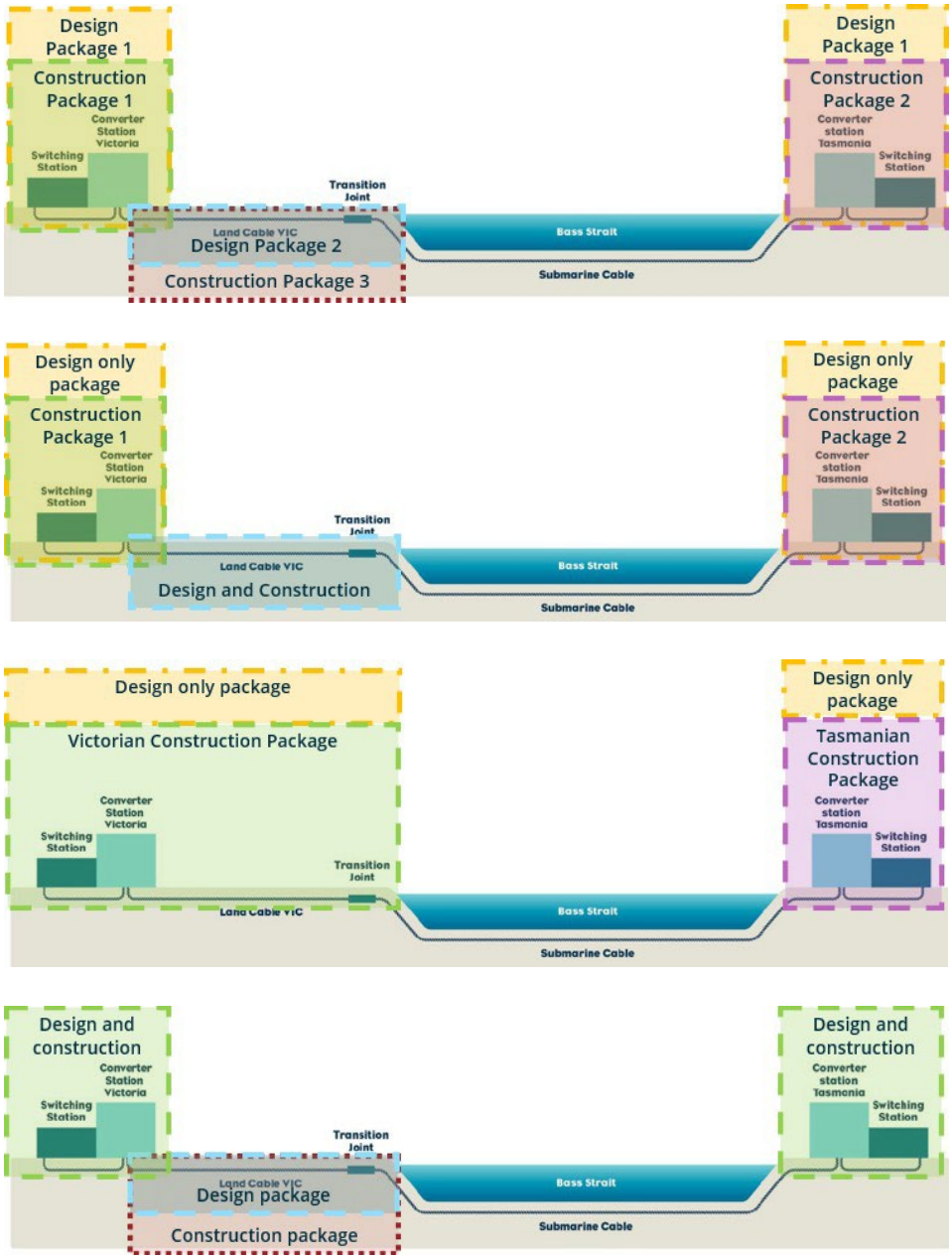
Option 5: Packaging options that include an additional landfall HDD package



Option 6: Full interface-wrap packaging options that consider novation of cable systems and converter station equipment contract into broader head contract(s)



Option 7: Four different combinations of design and construction packages



A potential approach identified by MLPL in the one-on-one interviews was to divide the LCC scope into small construct-only packages. Similar to Options 7, 7B and 8, the benefits of this approach might include potential for parallel construction, ability to attractive smaller contractors in regional Victoria and deliver against MLPL's sustainability and social license objectives. However, this option was not progressed as a longlist packaging option due to the significantly increased interfaces introduced, additional commercial complications for horizontal transfer of delay liability, additional contract administration and potential deliverability issues.

In relation to the development and assessment of delivery options, MBB Group considered:

- Identification and analysis of possible contract models.

- Selection of contract models that are suitable for the shortlisted packaging options to form delivery options.
- Aligning on the delivery options and identifying options suitable for assessment.
- Defining the criteria to assess delivery options (Delivery Assessment Criteria) and the weightings.
- Facilitating a delivery workshop on 6 July 2023 by scoring each option based on the Delivery Assessment Criteria and reviewing the final rankings to determine options that would proceed to further market testing and implementation.

2.3 Consumer feedback

MLPL recognises the importance of engaging with consumers and other stakeholders to ensure that the project meets their expectations as far as practicable. Effective engagement is critical to identifying the social, environmental and cultural impact of the project, as well as securing and maintaining our social license. In relation to procurement, MLPL has provided regular briefings to the CAP in which we have explained that:

- Procurement decisions are likely to involve price-risk trade-offs, which will be of particular interest to consumers;
- Engineering issues, such as the choice of technology or construction techniques, are not matters that consumers can directly influence, and therefore are outside the scope of the engagement; and
- Probity considerations relating to commercially sensitive information limit the extent to which consumers can be actively engaged in the procurement process.

Given the commercial sensitivities and the technical nature of the negotiations, the CAP could not be directly involved in MLPL's procurement decisions. Nevertheless, the CAP has provided the following feedback which is relevant to MLPL's packaging decisions:

- **Local suppliers**. The CAP has encouraged MLPL to consider how international suppliers can work with Australian partners to employ and support local suppliers.
- **Total project costs**. CAP members have consistently urged MLPL to keep consumers front of mind when making decisions, highlighting that many consumers are on fixed incomes that are not keeping up with inflation.

MLPL considered the implications of this feedback in developing its packaging approach, as follows:

- In relation to local suppliers, there is a small number of suppliers with the necessary skills and experience to act as principal contractor. Nevertheless, MLPL has taken steps to encourage the

shortlisted respondents to engage with local suppliers to provide opportunities through subcontracting arrangements, where possible.

- In relation to effectively managing the total project costs, MLPL agrees with the CAP's observation that this is a key consideration for electricity consumers and MLPL's procurement process. In particular, MLPL recognises the importance of ensuring that the costs of delivering the proposed scope are prudent and efficient.

2.4 Implications for MLPL's packaging approach

It is evident from the previous sections that MBB Group undertook an extensive assessment of the alternative packaging options through its review, which was completed in October 2023. Based on MBB Group's analysis, MLPL decided to proceed with a Pre-Qualification process that provided optionality for implementation of a combined Balance of Works work package and stand-alone components for converter stations and land cable civil procurement packages. MLPL considered that this approach was also consistent with the feedback provided by the CAP, which placed an emphasis on maximising opportunities for local suppliers and minimising the total costs to consumers.

In February 2024, MLPL launched the Pre- Qualification process by inviting prospective contractors to partake in the procurement activity. The Pre-Qualification invitation was open to any company or consortium of companies that wished to qualify to receive tender documents for the procurement. Only those companies that submitted their candidature in compliance with the stipulations of the Pre-Qualification criteria contained in the Pre-Qualification documentation would be selected to participate in the procurement. The Pre-Qualification criteria contained the minimum qualitative requirements for the procurement.

On 18 April 2024, MLPL temporarily suspended the Pre-Qualification process to enable MLPL to further assess its approach for to the following reasons:

- No Pre-Qualification responses were received from the Participants for a stand-alone converter station work package;
- The combined Balance of Works scope, participants sought alternative contracting approaches and reimbursement of bid costs; and
- The limited market response to the BOW Pre-Qualification did not support the approved Procurement Strategy.

In June 2024, following MLPL assessment and review of its procurement strategy, the MLPL Board approved:

(a) A collaborative contracting approach for the BOW package and an ITC contract model;

(b) The following Pre-Qualified BOW Participants proceed to the RFP process for the BOW package;

- CPB Contractors Pty Ltd and UGL Engineering Pty Ltd.;
- DT Infrastructure Pty Ltd and Samsung C and T Corporation.
- [redacted]
- [redacted]

On 2 July 2024, Bechtel notified MLPL that they would not be participating in the RFP process. On the 15 August 2024, the MLPL Board approved three pre-qualified Respondents to proceed to the Request for Proposal phase of the procurement process:

- CPB Contractors Pty Ltd and UGL Engineering Pty Ltd., referred to as Empower;
- DT Infrastructure Pty Ltd and Samsung C and T Corporation, referred to as TasVic Greenlink; and
- [redacted]

The RFP process required each of the Respondents to submit a proposal in the form of Returnable Schedule templates, together with any other information requested by MLPL in the RFP documents. The RFP Phase consisted of a single RFP round of approximately six weeks for the development and submission of proposals. Following the completion of this phase, Empower and TasVic Greenlink proceeded to the Development Phase.

A key component benefit of this interactive Development Phase is that it facilitates open collaboration between MLPL and the shortlisted respondents to gain a deeper understanding of the project requirements to provide greater price certainty and address key project risks. The objectives of the interactive Development Phase include:

- facilitate communication between shortlisted respondents and MLPL in a probity appropriate manner while building a collaborative relationship;
- encourage shortlisted respondents to use the opportunity to maximise their understanding of the project requirements, and to test the acceptability of shortlisted respondents proposed technical, commercial, operational, financial, and legal offerings;
- allow MLPL to gain an early understanding of shortlisted respondents' approach to developing their pricing offer, reducing the likelihood of shortlisted respondents submitting unacceptable solutions and avoiding unproductive work being carried out by shortlisted respondents;
- improve the quality of responses and minimise the time that would be required for negotiation with the successful respondent; and

- allow MLPL to gain an understanding of each shortlisted respondents' cultural fit and alignment on behavioural principles and values.

MLPL considers that it has adopted a comprehensive approach to formulating its packaging and delivery model for the Balance of Works scope. As already noted, the overarching objective throughout this process has been to obtain the best outcome on behalf of consumers. Further information on our procurement strategy is provided in the next section.

3 Procurement strategy and governance

3.1 Procurement policy

MLPL's procurement policy guides MLPL's approach to all procurement related activities and reflects the Commonwealth Procurement Rules, June 2023. The policy therefore applies to the procurement of services to deliver the Balance of Works. Before setting out our tender design and approach for the Balance of Works scope, it is useful to highlight the key principles in our procurement policy:

- **Value for money**

We will ensure that our resources are used in the most efficient, effective, ethical and economic manner. All procurement decisions will reflect value for money, not limited to price, consider sustainable and ethical principles including managing the risk of modern slavery, and maximise opportunities for local suppliers.

In referring to the Commonwealth Procurement Rules, MLPL notes that achieving value for money is the core objective of these rules. It requires that procurements should:

- Encourage competition and be non-discriminatory;
- Use resources in an efficient, effective, economical and ethical manner;
- Facilitate accountable and transparent decision making;
- Encourage appropriate engagement with risk; and
- Be commensurate with the scale and scope of the business requirement.

- **Encouraging Competition**

Effective competition is a critical consideration for all our activities. When our people undertake procurement and commercial dealings, they will maintain impartiality and commercial confidentiality.

- **Appropriate purchasing**

Goods, services and capital works procured are fit for purpose, of sufficient standard and capable of fulfilling the intended requirements within an acceptable timeframe.

- **Transparency and fairness**

  Our people will act with transparency and integrity and ensure fair dealings in arrangements with suppliers. They will adhere to principles of probity, accountability and disclosure and management of actual and perceived conflicts of interest.

- **Governance**

  Our people understand their responsibility and accountability when committing, and authorising, expenditure. Our people must follow MLPL's risk management processes to identify, understand and mitigate risks when undertaking procurement activities.

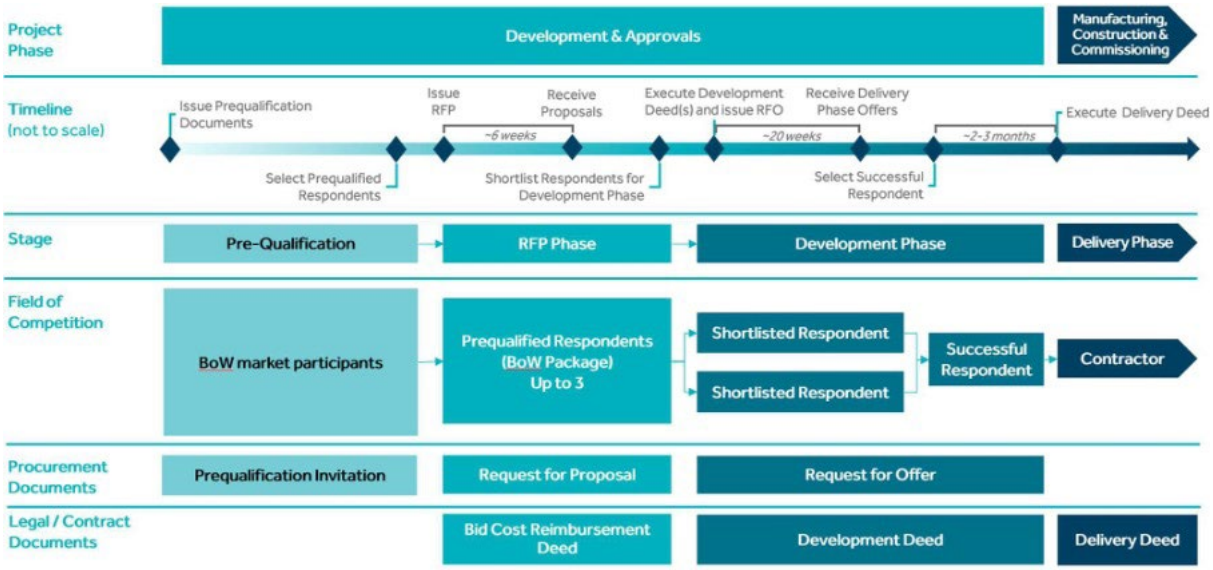
At a high level, MLPL notes that adhering to this procurement policy will promote expenditure forecasts that are prudent and efficient, in accordance with the capital expenditure criteria in clause 6A.6.7(c) of the National Electricity Rules.

3.2 Procurement and governance process

As explained in our procurement policy, MLPL's key objective is to deliver value for money, which is consistent with the regulatory concept of ensuring that the resulting expenditure is prudent and efficient. To achieve this objective in relation to the Balance of Works scope, MLPL conducted extensive market analysis and feedback to establish the optimal packaging and contracting approach, as explained in section 2.

Figure 11 below provides an overview of the procurement process, which comprises three elements: Pre-qualification, RFP and Development phases.

Figure 12: Overview of the procurement process for Balance of Works



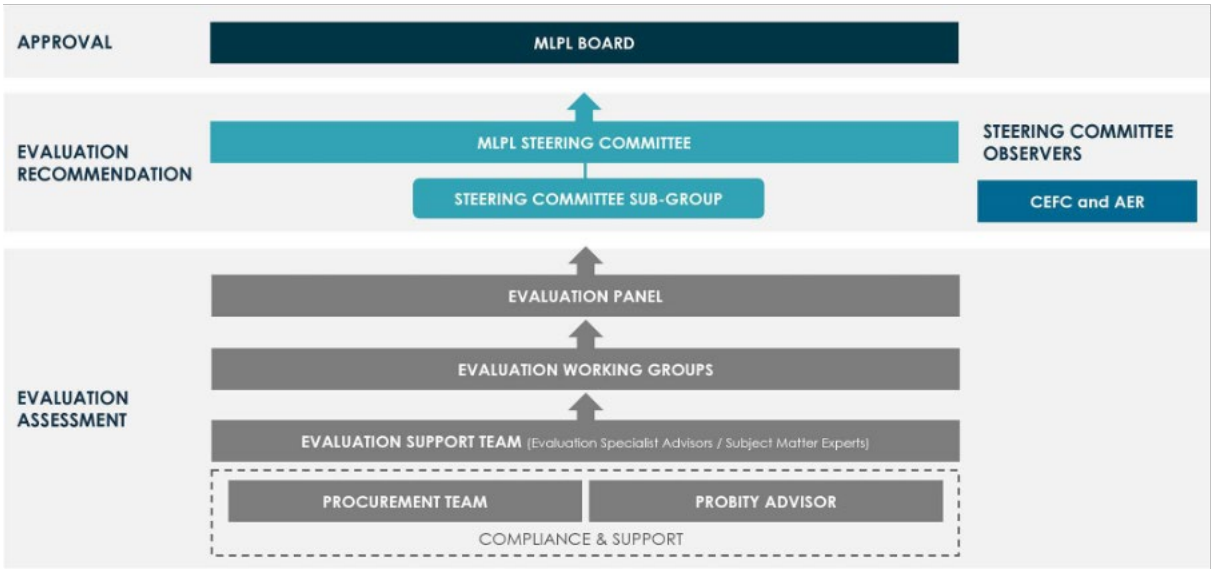
As already explained, MLPL has progressed the Balance of Works procurement process through each of the three phases, the Development Phase has now progressed as shown in Table 3 below.

Table 3: Development phase milestones

Milestone	Date	Status
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

MLPL has now embarked on the evaluation process, which is supported by a comprehensive governance and team structure to ensure that the best outcome is obtained for consumers. Figure 12 shows the governance structure which applies to the evaluation assessment, recommendation and approval to award the Balance of Works contract.

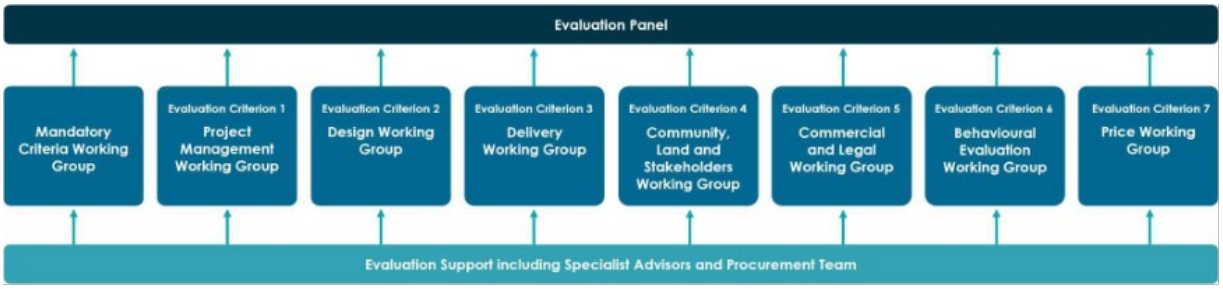
Figure 13: Governance arrangements for the Balance of Works evaluation process



The selection of the Preferred Respondent, following evaluation of Delivery Phase Offers, requires MLPL Board approval, which will be sought following endorsement of the final recommendation by the Steering Committee. The Steering Committee is responsible for the overall conduct of the Evaluation Process which includes providing direction to, and oversight of the Evaluation Panel throughout the Evaluation Process. Changes to the membership of the Steering Committee requires the approval of the MLPL Board.

Evaluation Panel is informed by the Evaluation Working Groups, which is supported by evaluation support teams, all of which is subject to compliance requirements supported by the probity advisor. There are eight Evaluation Working Groups, as shown in Figure 13 below.

Figure 14: Evaluation Panel Working Groups



The Evaluation Panel meetings are attended by:

- the Evaluation Panel Members;
- the Working Group Leads;
- the Probity Advisor;
- the Evaluation Secretariat; and
- the Transaction Advisor.

The responsibilities of the Evaluation Panel include:

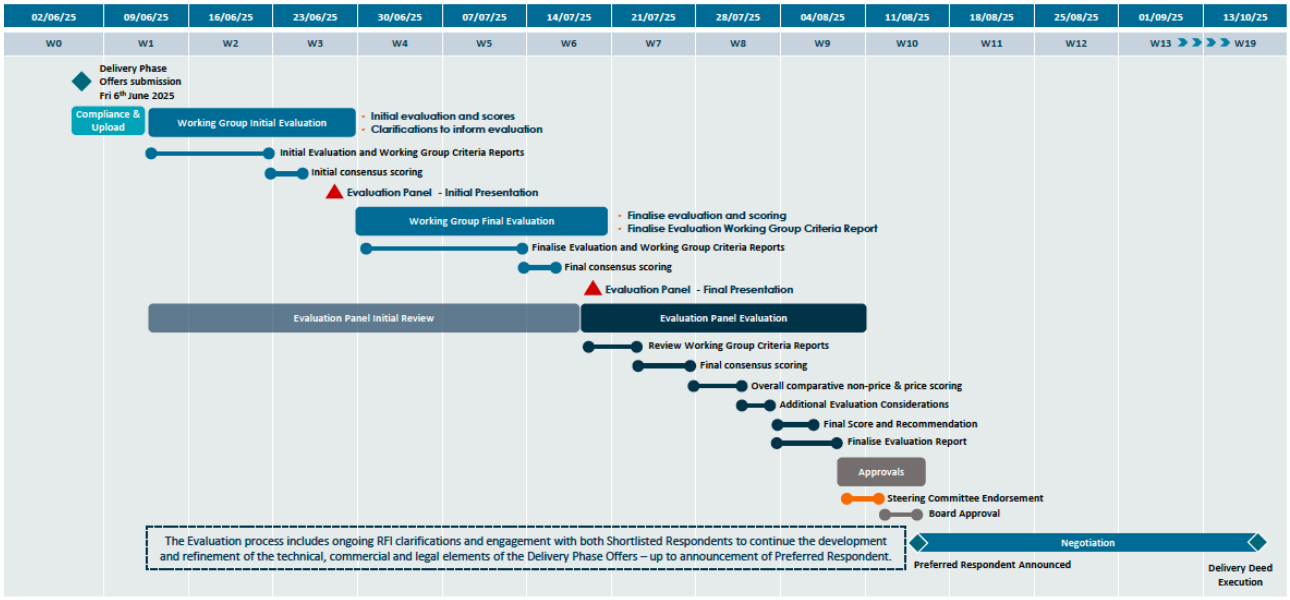
- providing direction to and seeking advice from the Evaluation Working Groups and Evaluation Support for the purposes of the Evaluation Process;
- evaluating conforming Delivery Phase Offers;
- undertaking a Qualitative Assessment that considers scoring recommendations provided by the Evaluation Working Groups, noting the Evaluation Panel may adjust scoring where necessary with rationale documented in the Evaluation Report;
- reviewing and endorsing any clarifications proposed by the Evaluation Working Groups;
- attending and contributing at all meetings of the Evaluation Panel and other meetings as necessary to complete the Development Phase;
- determining the recommendation of a Preferred Respondent to the Steering Committee;
- reviewing and endorsing the Evaluation Report; and

- maintaining and applying probity requirements throughout their role in the Evaluation Process and where necessary and in conjunction with the Probity Advisor, addressing any probity issues that may arise during the Evaluation Process.

Evaluation Panel members are unable to delegate their Evaluation Panel responsibilities without the written approval of the Steering Committee Chairperson. Decisions made by the Evaluation Panel are by simple majority (where possible), if any Evaluation Panel decision is not achieved by simple majority, the decision must be escalated by the Evaluation Panel Chairperson for decision by the Steering Committee.

Figure 14 sets out the timelines for evaluating the Delivery Phase Offers. As shown in this timeline, MLPL is now progressing this stage of the Balance of Works tender process, having received two comprehensive responses from the two short-listed respondents.

Figure 15: Planned timetable for evaluating the Delivery Phase Offers



3.3 Probity

MLPL has implemented plans to ensure that probity is promoted throughout the procurement process, including by requiring all persons involved in the procurement process to:

- ensure conformity with processes;
- ensure a transparent and defendable process is followed and improve accountability;
- ensure shortlisted respondents are assessed against the same criteria;
- preserve public and shortlisted respondent confidence in MLPL processes; and

- improve defensibility of decisions to potential administrative and legal challenges.

MLPL has also adopted the following probity principles that must be followed by all persons throughout the procurement and evaluation process to:

- ensure no bias to any shortlisted respondent through integrity, ethical and impartial behaviour;
- ensure equitable and fair competition;
- evaluate Delivery Phase Offers according to the process against the evaluation criteria and ensure the process is thoroughly documented and auditable;
- ensure confidentiality and maintain security of confidential information (including intellectual property and proprietary information);
- identify and resolve conflicts of interest (ensuring any actual, potential, or perceived conflict of interest and identified conflicts are documented, addressed and resolved);
- allocate appropriate resources and capability to the procurement process. The skills and capabilities of all persons involved in the procurement are appropriately deployed during the procurement process; and
- engage with the Probity Advisor where the procurement process requires, or where an actual or potential probity situation arises to ensure probity and to protect the integrity of the procurement.

O'Connor Marsden is the appointed Probity Advisor. The Steering Committee Chairperson, the Evaluation Secretariat, the Evaluation Panel Chairperson and Evaluation Working Groups Leads may seek the advice of the Probity Advisor as required. The Probity Advisor must attend all Formal Meetings and debriefs, unless otherwise agreed. The Probity Advisor will also be invited to attend shortlisted respondent presentations and interviews.

The role of the Probity Advisor is to:

- provide probity advice as and when required against clearly stated deliverables;
- review, from a probity perspective, the market documents;
- review internal documents relating to processes conducted for each project;
- confirm that conflict of interest and confidentiality arrangements have been established and implemented;
- advise and assist in designing strategies to address anticipated and identified probity issues, conducting probity briefings and training sessions as required;

- attend meetings where necessary; and
- provide reports as and when required by the Steering Committee.

To effectively manage this role, the Probity Advisor will have access to all records and the Steering Committee and Evaluation Team members will be available to attend briefings and meetings as required. The Probity Advisor will provide a Probity Advisor Report detailing their observations and any issues raised and dealt with during the Evaluation Process.

4 Incentivised target cost model and expenditure forecasts

4.1 Incentivised Target Cost Model

The Incentivised Target Cost (**ITC**) model is a cost reimbursable model with all costs incurred by the contractor being reimbursed by the owner (subject to some very limited exceptions) plus an agreed margin. The contractor's performance in relation to cost is assessed against a Target Outturn Cost (TOC) that is developed in close consultation with the owner and agreed during the Development Phase. If the actual costs, the Actual Outturn Cost (AOC), are less than the TOC, the contractor shares in the savings, referred to as 'gain share'. If, on the other hand, the AOC exceeds the TOC, the contractor shares in the pain of the cost overruns through a reduction in its margin, referred to as 'pain share'.

While MLPL adopted an EPC contracting approach for the other two works packages, the market feedback indicated that an ITC model was appropriate for the Balance of Works package. In contrast to EPC contracting arrangements, an ITC contracting approach has the following advantages:

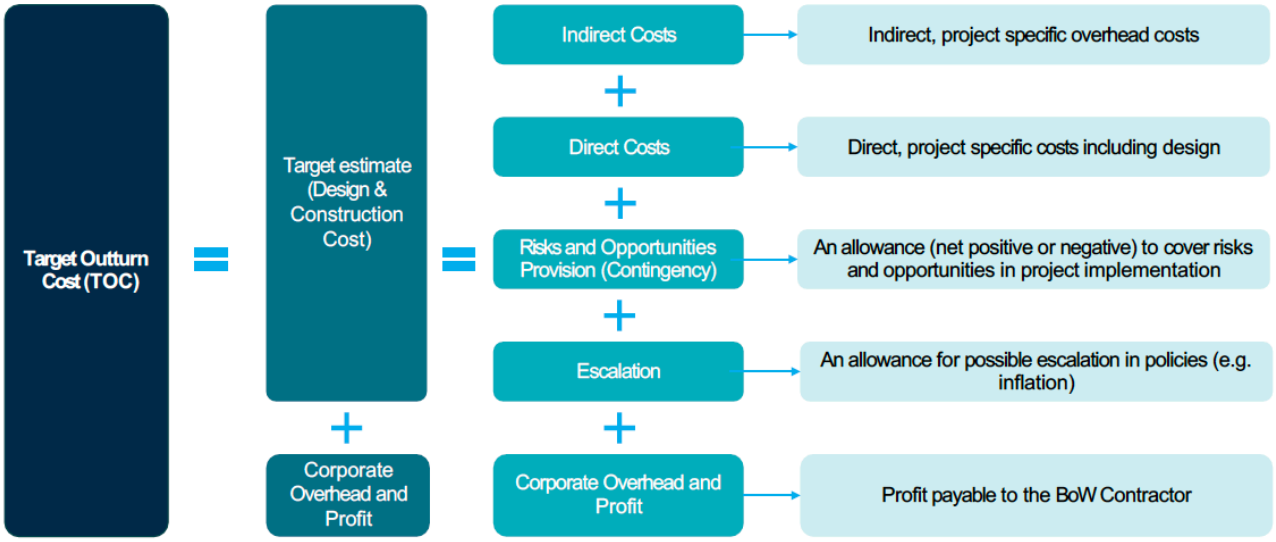
- promotes a much more collaborative culture during the delivery phase and avoids the adversarial claims-based culture that often exists with traditional delivery models;
- moves away from hard risk transfer and instead promotes a risk sharing model;
- facilitates early contractor involvement to de-risk the delivery phase;
- ensures that project pricing is more accurate and promotes a better understanding of project risks;
- moves to open book pricing which provides a much clearer picture of project costs; and
- obtains the principal benefits of an Alliance model without incurring the associated establishment costs.

As explained in section 2, the market feedback indicated that an ITC model approach was appropriate for the Balance of Works tender process.

4.2 Establishing the Target Outturn Cost

A TOC is to be developed by each of the shortlisted respondents during the Development Phase and included within their Delivery Phase Offer. The TOC is the respondent's risk adjusted target price to deliver the BOW scope.

Figure 16: Components of the Target Outturn Cost



Having a robust process for setting the TOC is an important feature for the Development Phase. The main risk to be managed is the potential for the TOC to be set too high; as respondents will seek to set as high a TOC as they can. To minimise this risk, the Development Phase has been designed to be a competitive TOC setting process between two shortlisted respondents. For additional assurance, as explained in section 3, MLPL has engaged the services of an Owner's Estimator and Independent Estimator to verify all quantities, rates and prices used by the respondents in their TOC estimates. Figure 16 provides an overview of the process for reviewing the TOC estimates.

Figure 17: Overview of the TOC review process

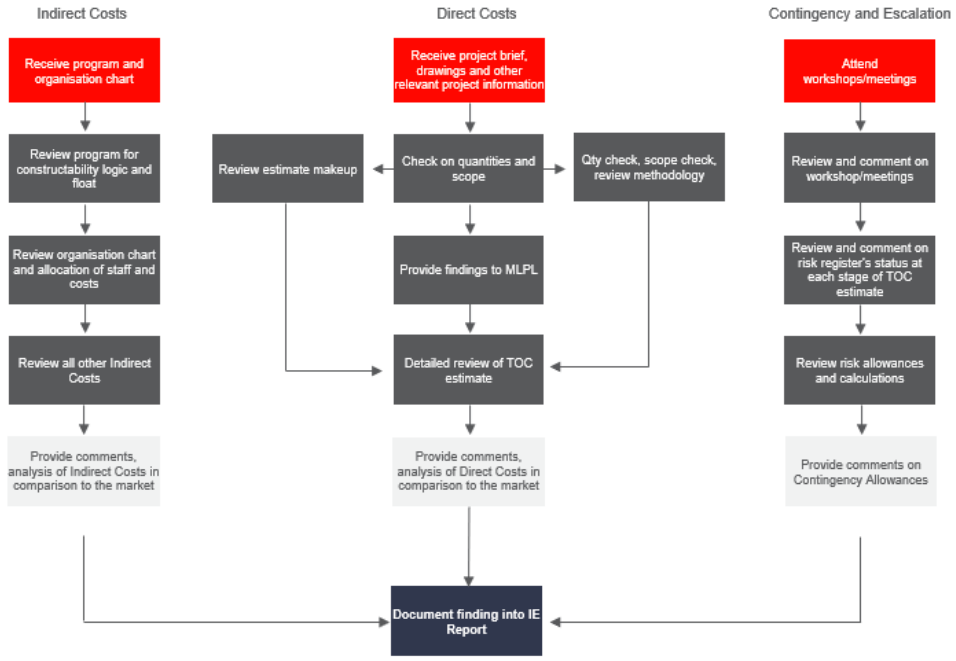
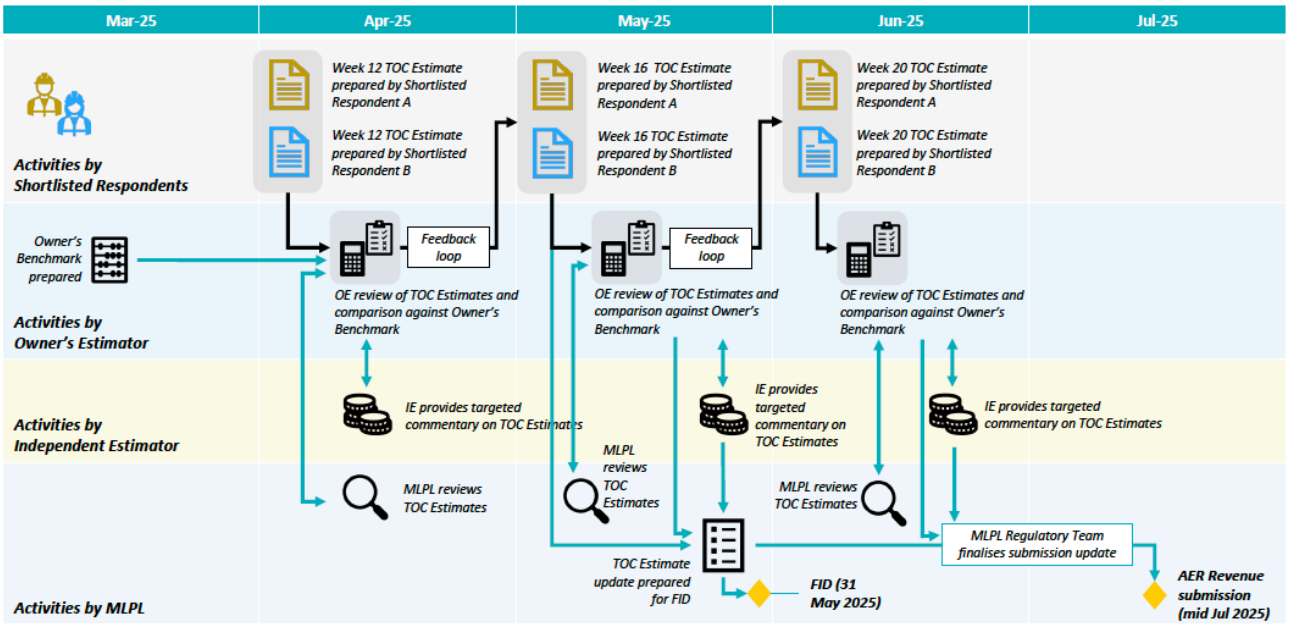


Figure 17 below shows the process for establishing the best estimate of the TOC through the Development Phase comprising 12-week, 16-week and 20-week estimates. As indicated in the figure below, the process is both competitive and collaborative so that the forecast expenditure in this revised Revenue Proposal is a prudent and efficient estimate of the costs of delivering the Balance of Works scope.

Figure 18: TOC estimation process for the revised Revenue Proposal



As already noted, the 20-week cost estimates have been provided by the shortlisted respondent. The tender process is now proceed in the evaluation stage in accordance with the procurement process described in section 3.

4.3 Balance of Works expenditure forecasts

Table 4 below shows the expenditure forecasts for the Balance of Works, which reflects the expected timing of the milestone payments.

Table 4: Forecast expenditure for Balance of Works ($m real 2023)

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Land cable civil works*	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Converter stations buildings and support works*	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Project management, overheads and other*	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total*	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

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

For expenditure forecasting purposes, MLPL has adopted the TOC submitted by one of the shortlisted respondents as reviewed by the Owner's Estimator and Independent Estimator. MLPL considers that this approach is reasonable for the purposes of estimating the forecast capital expenditure for the Balance of Works, noting that the evaluation process will be conducted in accordance with the procurement plan described in section 3. The forecast expenditure for the Balance of Works in this revised Revenue Proposal may therefore be subject to change following the AER's supplementary Draft Decision. MLPL does not expect, however, updated cost information which will submitted in November 2025 to change materially, and a full explanation of any change will be provided in our response to the supplementary Draft Decision.

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5 Why is our proposed expenditure prudent and efficient?

5.1 Rules requirements

Clause 6A.6.7(c) of the Rules states that the AER must accept the forecast capital expenditure if the AER is satisfied that the total of the forecast capital expenditure for the regulatory control period reasonably reflects each of the following (capital expenditure criteria):

(1) the efficient costs of achieving the capital expenditure objectives;

(2) the costs that a prudent operator would require to achieve the capital expenditure objectives; and

(3) a realistic expectation of the demand forecasts and cost inputs required to achieve the capital expenditure objectives.

To paraphrase, this provision indirectly places an obligation on MLPL, as an Intending TNSP, to demonstrate that its forecast capital expenditure to deliver Marinus Link is prudent and efficient. While this obligation applies to MLPL's total forecast capital expenditure, in practice prudency and efficiency can only be demonstrated by testing whether each category of expenditure is prudent and efficient. Specifically, in relation to the Balance of Works, MLPL considers it appropriate to explain why the AER should be satisfied that the forecast expenditure presented in this attachment is prudent and efficient.

5.2 Supporting evidence

The competitive tender strategy developed and employed by MLPL has been designed to maximise competitive tension between prospective service providers to deliver the best price-service outcome for customers. Specifically, as explained in this document:

- MLPL committed significant resources to engaging with prospective service providers to develop the best packing approach in relation to the Balance of Works scope.
- MLPL acted on the expert advice provided by MBB Group and subsequently amended its packaging strategy in light of market feedback received.
- MLPL has adopted a collaborative and competitive approach to ascertain the market costs of delivering the Balance of Works scope. The procurement strategy has been supported by expert advice, including input from an Independent Assessor and Probity Advisor.

- The ITC contracting approach is the preferred method for understanding the project risks and assessing the costs of delivering the Balance of Works scope.

- MLPL will implement KRA and KPIs as part of the contract negotiations, so that the service provider achieves the performance outcomes that we require on behalf of consumers. The gainshare / painshare arrangements will also impose incentives on the bidder to deliver the project at the lowest total cost.

The points set out above summarise why the price and service offering for the Balance of Works, which were obtained through competitive tender processes, reflect prudent and efficient expenditure. As already noted, MLPL expects minor updates to the expenditure forecasts following the conclusion of the evaluation process, which will be reflected in our response to the AER's supplementary Draft Decision in November 2025.

In addition to the information presented in this attachment to support the prudency and efficiency of the Balance of Works expenditure, MLPL engaged Aurecon Advisory to provide an independent assessment of the procurement process and resulting forecasts costs. Aurecon Advisory's review includes the following observations:

- Aurecon is satisfied that the Class 2 estimate put forward by MLPL is reasonable and is of the view that the procurement process has been efficient given the current market conditions.

- MLPL has engaged extensively with the market on contract structuring, packaging of scope items, and the treatment of risk.

- MLPL has sought external advice from Currie & Brown throughout the tender process to support the evaluation of BOW package from the potential contractors. Currie & Brown's scope has included key tasks such as:

  - Validate that the respondent's Target Outturn Cost has been developed in an appropriate manner

  - Validate and confirm that the construction methodology, unit rates, and quantities of items within the Cost Plan are consistent with the scope of work specified.

  - Review the cost composition of direct and indirect costs for each respondent on a first principles basis and based on market estimates

- MLPL has undertaken several rounds of value engineering over a 20-week period which has included collaboration with Currie & Brown, the BOW contractors, Prysmian, Hitachi, and MLPL's team. [redacted]

In summary, Aurecon Advisory's report, which is provided as Attachment 9, provides further evidence to support the prudency and efficiency of the Balance of Works expenditure forecast in the revised Revenue Proposal.

Appendix – Stage 2 enabling works

MLPL has included the costs of civil works and HDD in preparation for Stage 2 as part of the Stage 1 Balance of 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 these 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 that would arise if the civil works were staged.

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

Aurecon Advisory reviewed the analysis provided to the AER in November 2024 and made the following comments:

- The decision to undertake the enabling works as part of Stage 1 is likely to be prudent, as demonstrated by the NPV assessment. In Aurecon's experience, this is a common method for achieving efficiencies (e.g. Powering Sydney's Future adopted a similar approach).
- By having an individual party deliver the scope, it 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 also receive a more competitive tender outcome.
- Aurecon Advisory also notes that by undertaking the civil works once, there may be less disruption to the public in Stage 2 from vehicles utilising access tracks and traffic management along public roads.

As already noted, the updated NPV analysis which is provided as a separate file in support of this Attachment demonstrates that [redacted]. The assumptions underpinning the NPV analysis are provided in that accompanying file.