

15 July 2025

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

Dear Ms Harris,

Marinus Link's Revised Revenue Proposal Stage 1 – Part B (Construction costs)

I am delighted to be able to submit Marinus Link's revised Revenue Proposal Stage 1 – Part B (Construction costs) (**Revenue Proposal**) on behalf of Marinus Link Pty Ltd (MLPL), which addresses the costs of constructing Stage 1 of the project, covering the period from 1 July 2025 to 30 June 2030. Marinus Link will provide 1500 MW capacity between Tasmania and Victoria, with Stage 1 providing 750 MW.

The scope and content of this revised Revenue Proposal fully complies with the requirements of the AER's Commencement and Process Paper and responds to the AER's Initial Draft Decision, which was published on 16 May 2025. Our approach continues to be informed by our engagement with stakeholders, including the Consumer Advisory Panel that we established in March 2022, and the landholders, local governments and communities that will be affected by construction of the project. We will continue to listen to our stakeholders as we progress through the AER's determination process and the construction phase of the project.

As you know, Marinus Link will deliver substantial benefits for customers by leveraging Tasmania's natural advantage in wind resources and energy storage across the National Electricity Market (NEM). Each of AEMO's Integrated System Plans since 2020 has recognised the need for Project Marinus, which includes the North West Transmission Developments that will be delivered by TasNetworks, as an urgently needed actionable ISP project. MLPL has updated the Regulatory Investment Test, which is available on MLPL's website, which indicates that the total net market benefits for both stages of Project Marinus has increased to more than \$3.8 billion, with Stage 2 also providing significant net market benefits.

As explained in this revised Revenue Proposal, concessional finance is expected to provide customers substantial benefits totalling approximately \$890 million in nominal terms over the 2030-2035 regulatory

period alone. The terms of the concessional finance agreements with Clean Energy Finance Corporation and our shareholders are expected to be finalised shortly, and copies of those executed agreements will be provided to the AER in accordance with the Rules requirements.

MLPL has also made substantial progress during the 'early works' phase of the project by securing major contracts with Hitachi Energy (May 2024) and Prysmian Powerlink (August 2024) for converter station equipment and cables, respectively. These contracts secure the design, manufacture, supply and installation of the key assets that are required to complete stage 1 of Marinus Link. MLPL welcomes the AER's positive assessment in its Initial Draft Decision that MLPL conducted a best practice tender process for cables and converter station equipment.

Following the submission of our Revenue Proposal in November 2024, MLPL has made substantial progress in clarifying the scope and costs of the Balance of Works, which has been the subject of a competitive tender process. In contrast to the earlier tenders, the scope of this work required a collaborative exercise with shortlisted bidders to ensure that the project scope and risks were fully understood and costed. MLPL has also adopted an Incentivised Target Cost contracting model in response to market feedback, as the best means of managing the risk of cost overruns. The expenditure forecasts for the Balance of Works in this revised Revenue Proposal reflect the outcome of the market testing process, with assurance being provided by independent experts.

This revised Revenue Proposal also provides updated costs for the support activities and the risk allowance. These forecasts are consistent with the outcomes of the Balance of Works tender process, and also take account of MLPL's decision to appoint an Integrated Delivery Partner, Jacobs, to ensure that the project is delivered on time and budget. MLPL is confident that it has prepared a comprehensive package of contracting and delivery arrangements that reflects best practice for a project of this nature. Furthermore, the updated total expenditure forecast presented in this revised Revenue Proposal for the 2025-2030 regulatory period is slightly lower than our estimate submitted in November 2024. MLPL has engaged Aurecon Advisory to review our forecast capital expenditure, and their report supports the prudence and efficiency of our approach and the resulting forecasts. Aurecon Advisory's report has been provided as attachment 9 to our revised Revenue Proposal.

In addition to presenting the updated expenditure forecasts, this revised Revenue Proposal provides an opportunity to respond to the AER's Initial Draft Decision on the regulatory arrangements that will apply during the 2025-2030 regulatory period. It has also provided MLPL with a further opportunity to engage with our stakeholders and to listen carefully to their views, including during the AER's pre-determination conference in May. We have taken account of this feedback in preparing the revised Revenue Proposal.

To a large extent, MLPL is aligned with the Initial Draft Decision which substantially accepted the positions we proposed in our Revenue Proposal. There are two issues where MLPL is responding in further detail to the AER's Initial Draft Decision, namely the pass through arrangements and the Capital Expenditure Sharing Scheme.

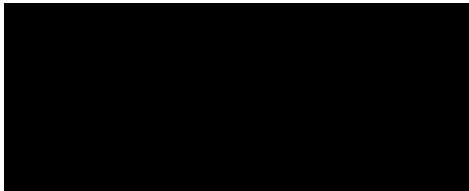
In relation to the pass through events, MLPL has responded to each of the matters raised by the AER and amended the proposed events to clarify how they should operate. MLPL considers that this further information should enable the AER to approve the revised pass through events, noting MLPL's view that the inclusion of these risk management mechanisms will minimise the costs to customers.

In relation to the Capital Expenditure Sharing Scheme (CESS), we have listened to the further feedback from our Consumer Advisory Panel and considered the AER's analysis in its Initial Draft Decision. MLPL recognises that financial rewards and penalties are the cornerstone of incentive-based regulation, and it is essential to ensure that the design of incentive arrangements focuses on improving customer outcomes. MLPL therefore engaged an independent expert, Jeff Balchin, Managing Director at Incenta Economic Consulting, to express a view on the appropriate design of the CESS arrangements, having regard to the long term interests of customers.

Jeff Balchin has proposed a solution that sits somewhere between MLPL's original Revenue Proposal and the AER's Initial Draft Decision, although he notes that the effective incentive rate similar to MLPL's original proposal. MLPL has adopted Incenta Economic Consulting's recommendation and that report forms part of this revised Revenue Proposal. MLPL encourages the AER and other stakeholders to give this proposal further detailed consideration in light of Incenta Economic Consulting's report.

I would like to acknowledge again our appreciation for the constructive engagement of the AER Board and staff in working with us through this important process, including the AER's attendance as an observer throughout the tender processes and our engagement with the Consumer Advisory Panel. MLPL looks forward to continuing to work closely with you and our stakeholders in the coming months.

Yours sincerely,



Stephanie McGregor

Chief Executive Officer