

Submission to the AER – Marinus Link updated revised proposal and forecast expenditure updates.

7 November 2025

John Devereaux – Energy Consultant (retired)

Background

This submission is provided in response to the AER's invitation "to send submissions on the updated [Marinus Link] revised proposal and forecast expenditure updates to inform our supplementary draft decision by 7 November 2025".

It follows the public release of a series of documents – the Marinus Link revised Revenue Proposal (July 2025), the Tasmanian Government's Whole of State Business Case (WOSBC, August 2025) and the Revised Proposal Updates (October 2025).

The submission does not seek to address the detail of the revised proposal and forecast expenditure updates, rather it seeks to take the position of a Tasmanian electricity consumer, and Tasmanian electricity consumers in general, in assessing the impact of the Marinus Link proposal, including the updated financial information, on overall Tasmanian electricity bills, and the risks Tasmanian electricity consumers and the Tasmanian community will bear.

The Marinus Link Proposal – brief overview

The Marinus Link Proposal was first mooted as a \$3 billion project to construct a 1500MW cable, delivering net market benefits (that is - with purported gross market benefits exceeding the \$3 billion cost).

At latest count the total cost is expected to exceed \$5.2 billion, for a 750MW cable, and still deliver net market benefits – a remarkable expectation.

The additional Tasmanian transmission infrastructure to enable Marinus Link will cost in excess of \$1.3 billion. (The value of the entire Tasmanian transmission system as at 30 June 2025 was \$1.45 billion).

Marinus link (stage 1 alone) will see a dramatic increase in Tasmanian electricity transmission charges of over \$150 million per year, to be borne by all Tasmanian electricity consumers, including Major Industrials (MIs), and the wholesale cost of electricity will also increase by between 6% and 59% (from the government commissioned Deloitte study, reference 4 below) contrary to statements in the WOSBC.

Marinus Link will provide no direct benefits to Tasmanian electricity consumers. (It will provide additional energy security, but previous expert reviews made it clear that additional security in the form of a second interconnector is not necessary).

Tasmanian electricity price outcomes – overview

From a Tasmanian electricity consumer perspective, the significant impacts will be an increase on overall annual transmission charges of around 100% (more than \$150 million per year – see below), and an increase in wholesale energy charges of between 6% (best case) and 59% (worst case – see below).

The adverse impacts on Tasmanian electricity prices, arising directly from the Marinus Link proposal, will therefore be very substantial.

From a Tasmanian government perspective, the support for the proposal appears to be based on the cash bonanza which is projected to be delivered to state coffers via additional earnings by Hydro Tasmania, of up to \$690 million per year.

It appears that Tasmanian electricity consumers face a massive increase in electricity prices, to bolster the Tasmanian state budget, which is entirely contrary to the National Electricity Objective, which is:

“to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to:

- a. price, quality, safety, reliability and security of supply of electricity; and
- b. the reliability, safety and security of the national electricity system; and
- c. the achievement of targets set by a participating jurisdiction—
 - i. for reducing Australia's greenhouse gas emissions; or
 - ii. that are likely to contribute to reducing Australia's greenhouse gas emissions.”

Increased transmission charges.

The annual impost on Tasmanian electricity consumers because of the transmission charges levied by Marinus Link Pty Ltd (MLPL) for the “cable”, and by TasNetworks for the North West Transmission Development (NWTD) will be:

Cable component:

Refer Marinus Link Pty Ltd (MLPL) revenue proposal December 2024, reference 1 below:

Total annual allowed revenue (transmission costs):

Before concessional finance - \$300 million. After concessional finance - \$177 million.

Tasmania’s share, at 27.6%:

Before concessional finance - \$78 million. After concessional finance - \$49 million.

Tasmanian transmission (NWTD) component:

The Tasmanian Government’s Final Investment Decision Assessment Report, July 2025, indicates at page 11 “the Tasmanian Government secured additional support from

the Australian Government (renegotiation June, July 2025) to further offset NWT Stage 1's share of the Project Marinus Project Marinus Stage 1's share of the transmission costs. A \$346 million grant from the Australian Government, via the State, to TasNetworks will deliver a further \$15 million per annum reduction (or 12.5 per cent reduction in the \$120 million per annum estimated costs)".

The \$120 million is the allowable revenue TasNetworks would be entitled to earn each year, over the 60 year life of the project. The \$15 million reduction reduces that revenue to \$105 million per year. Tasmanian electricity customers, including MIs, would see that added to their electricity bills, in the form of network charges.

The total increase in annual transmission costs, to be borne by Tasmanian electricity customers, for 60 years, is therefore: Cable \$49 million, NWT \$105 million. Total \$154 million (after applying concessional finance).

Without concessional finance - \$120 million, plus \$78 million. Total \$198 million.

The total transmission revenue earned by TasNetworks in 2023-2024 was \$154 million (reference 2 below).

Marinus stage 1 will see a 100% increase in transmission charges, more if costs escalate or concessional financing results in a different outcome than currently projected.

Those charges will be levied on Tasmanian (and Victorian) electricity consumers for 60 years, regardless of whether or not Marinus delivers any market benefits to the total NEM over that period.

Increased wholesale electricity prices

Page 12 of the WOSBC states:

These [transmission] costs are found to be broadly offset by modelled lower wholesale electricity prices compared to "No Marinus".

That statement is contradicted by the findings of the modelling undertaken by Deloitte (Tasmanian Treasury Marinus Link Electricity Market Modelling Final Report, 17 December 2024):

At page 15, and see references 3 and 4 below:

"• In the absence of Marinus Link, limited interconnection through BassLink results in the Tasmanian market to remain protected from rising mainland prices.

• The introduction of Marinus Link (in particular Marinus Link 2) facilitates greater levels of integration between Tasmania and mainland markets; as prices in both markets converge. Thus, Tasmania's exposure to NEM coal phase-outs and sharply rising load is heightened, resulting in substantial increases in Tasmanian prices (with Marinus Link when compared to no Marinus Link scenarios)."

Recognition of electricity price increases

The Tasmanian government explicitly recognizes the electricity price increases which Tasmanian's face should the Marinus proposal proceed and propose that electricity consumers will be compensated for the resulting, additional costs.

Its Final Investment Decision Assessment Report notes at page 8 the requirement for - *"reinvestment of net financial returns to reduce cost-of-living pressures and support Tasmania's large energy consumers."*

It is not clear why the AER would endorse a proposal whereby significant increases in electricity prices must be compensated by discretionary and unquantified government action.

Increased energy security

The construction of a second interconnector will provide Tasmanians with additional energy security, however previous expert reviews made it clear that additional security in the form of a second interconnector is not necessary.

The Tasmanian Energy Security Taskforce Final Report, June 2017, indicates at page 52:

"... the Taskforce makes the assessment that while a second electricity interconnector would greatly enhance Tasmania's energy security and provide other benefits, its development is not required to enhance Tasmania's energy security"

Risks borne by Tasmanian electricity consumers

The most obvious risk is that electricity consumers (Tasmanian and Victorian) will pay the transmission charges associated with the Marinus Link proposal over its 60 year asset life regardless of whether or not the link delivers any measurable market benefits.

That risk will not be borne by the proponents (Marinus Link Pty Ltd) or generators.

The enormous changes occurring in the NEM at an accelerating rate mean that Marinus Link could become redundant in the very early stages of its life.

Further, a small sample of risks identified in the Tasmanian government's WOSBC are:

page 10:

Critical considerations in the WOSBC assessment are the limitations of modelling and significant uncertainties and future risks. Given the 25-year projection timeframe, the WOSBC scenarios assessed do not represent the range of possible or even likely outcomes. Models provide valuable insights, serve as tools for analytical analysis and inform decision-making but cannot definitively predict future outcomes.

page 14:

The modelled increase in Hydro's profitability in most scenarios is well in excess of the total Tasmanian network costs from Marinus Link and NWT Stage 1, based on current project cost estimates, notwithstanding the simplistic nature of this measure.

However, this relies on Hydro being able to generate flexibly at market-based prices. Also, it will be facing increased competition from other renewable energy generators which are expected to play a larger role in Tasmania's electricity supply industry going forward. Hydro's potential revenue opportunities are also significantly exposed to a suite of market risks, including any changes to the operation of the NEM. Basslink's yet-to-be determined status as a regulated or market interconnector is a further uncertainty.

page 197:

Wholesale market modelling is a useful approach to provide a guide to the range of potential wholesale electricity price movements in the NEM arising from the introduction of Marinus Link. Actual decisions and market outcomes may be very different. Investment decisions, in particular, cannot be predicted with certainty as they can be heavily influenced by changing costs, government policies, decisions by regulatory authorities and rapid rates of technical change in the electricity supply industry. It is even possible that the NEM regulatory framework could be changed in future decades, such that the market may operate quite differently.

page 370:

..... In this regard, a downside scenario¹¹ has also been shown to illustrate the impacts of a number of risks simultaneously emerging. The modelled results of the downside scenario indicates that Hydro's profits, on average over the projection period, would be less than the total Marinus Link and NWT Stage 1 transmission costs for Tasmanian customers, albeit only marginally.

Conclusion

The AER must explain to Tasmanian electricity consumers how:

- Locking in a 100% increase in transmission charges for 60 years;
- Facilitating an increase in wholesale electricity charges of between 6% and 59%;
- Electricity price increases resulting from AER approved revenues granted to a transmission project must be compensated by a state government scheme; and
- Exposing electricity consumers to the risks identified in the Tasmanian Government's Whole of State Business Case:

is in their long term best interests.

References

Reference 1 – Marinus projected revenue requirements, MLPL Revised Revenue Proposal Stage 1– Part B (Construction costs), July 2025



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

Table 17 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 16: MLPL's indicative revenue to be recovered from customers (concessional basis)⁷¹

Category	2030-31	2031-32	2032-33	2033-34	2034-35
Smoothed MAR (\$m real 2023)	175.7	168.2	169.5	177.4	184.3
Smoothed MAR (\$m nominal)	220.5	216.3	223.5	239.6	255.2

Table 17: MLPL's revenue requirements before adjusting for concessional finance⁷²

Category	2030-31	2031-32	2032-33	2033-34	2034-35
Smoothed MAR (\$m real 2023)	287.9	291.8	295.9	300.0	304.1
Smoothed MAR (\$m nominal)	361.1	375.3	390.0	405.3	421.2

The difference between the Table 16 and Table 17 is the indicative estimated customer benefits from concessional finance for the period 2030-2035, which is presented in Table 18 below.

Table 18: Indicative estimated customer benefits from concessional finance 2030-2035

Category	2030-31	2031-32	2032-33	2033-34	2034-35
Smoothed MAR (\$m real 2023)	112.2	123.6	126.4	122.6	119.8
Smoothed MAR (\$m nominal)	140.6	159.0	166.5	165.7	166.0

⁷¹ 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).

⁷² 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.

Reference 2 – TasNetworks transmission revenue (TasNetworks annual report, 2023-2024)

Notes to the consolidated financial statements (continued) For the financial year ended 30 June 2024

TasNetworks' performance

This section highlights TasNetworks' performance for the year including details of revenue and expenses as well as taxation liabilities.

A1. Revenue

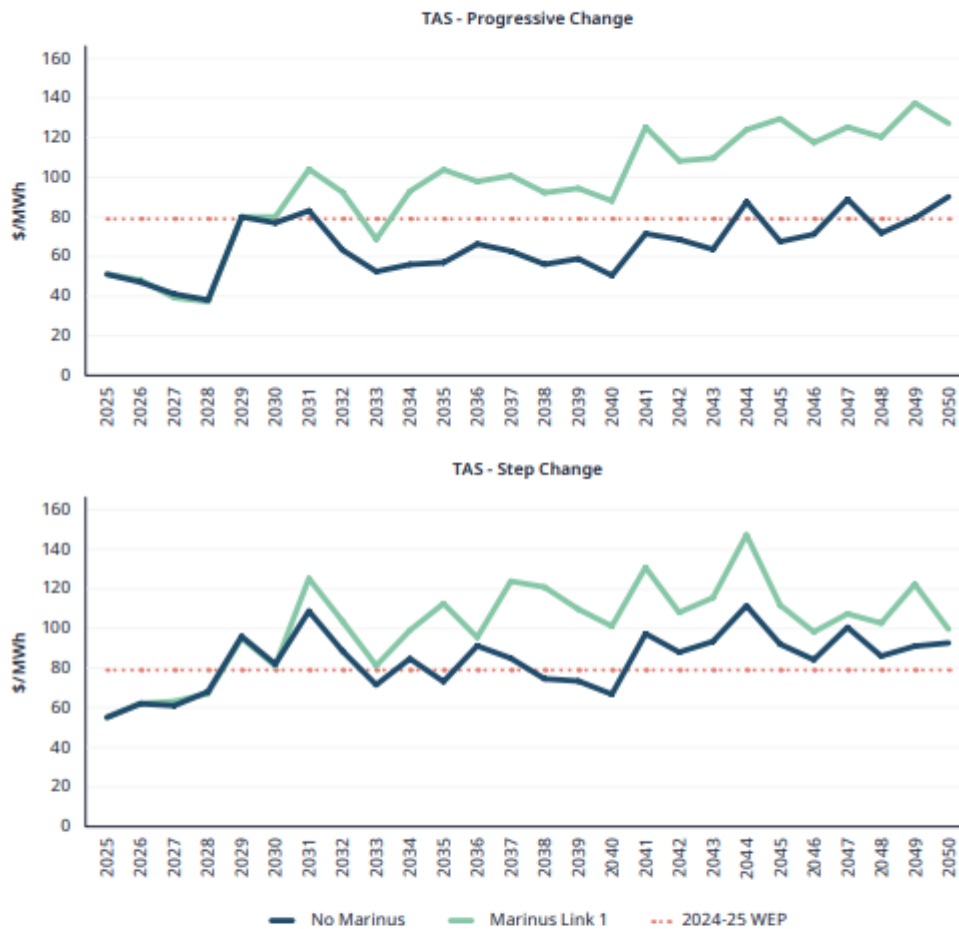
Note	2024	2023
	\$'000	\$'000
(a) Revenue from contracts with customers		
Provision of regulated distribution services*	286,947	285,636
Provision of regulated transmission services*	153,721	168,410
Provision of other non-regulated services	29,061	28,529
Customer contributions	29,936	19,164
	499,664	501,739
(b) Other revenue		
Rent and lease income	1,256	1,977
Interest received	368	294
Grants received - Mariner Link	2,805	7,298
Other grants and subsidies	950	1,252
Gain on disposal of property, plant and equipment	1,816	1,281
Other revenue	2,590	2,965
	9,785	15,067
Total revenue	509,449	516,806
Revenue from contracts with customers by timing of revenue		
Services transferred at a point in time	47,761	41,264
Services transferred over time	451,903	460,476
	499,664	501,740

*The current year result compared to budget includes \$17.6 million lower recovery of revenue for regulated distribution services, attributable to lower network use of system charges driven by lower consumption, and \$0.7 million higher recovery of regulated transmission services attributable to AEMO settlement residues received. As per the application of the regulated revenue cap rules these over and under recovery amounts can be adjusted in future years via annual pricing, which will impact profit in the years the adjustment occurs. This ensures TasNetworks manages its revenue in accordance with the revenue cap.

Information about major customers

Included within revenue received from the provision of regulated distribution services are revenues of approximately \$224 million (2023: \$248 million) from TasNetworks' largest electricity retailer customer. These charges are the mechanism for the recovery of network use of system. No other single customer contributed 10% or more to

Figure 7.14: Impact of Marinus Link Stage 1 on wholesale electricity spot prices in the Tasmanian market (real \$2022-23): Deloitte estimates



From 2026 to 2050 under Marinus Link Stage 1, the average wholesale spot price in the Tasmanian market under Progressive Change is estimated at \$98/MWh, which is \$32/MWh or 48 per cent above the average wholesale spot price without Marinus Link over the same period.

Under the Step Change scenario over the same period, wholesale spot prices are also found to increase significantly to an average of \$103/MWh, around \$18.5/MWh or almost 22 per cent higher than the estimated average price without Marinus Link.

Reference 4 - Deloitte.

Tasmanian Treasury Marinus Link Electricity Market Modelling Final Report, 17 December 2024. Table 1, page 20 – 59%; table 5, page 36 – 6%.