

19 December 2025

Dr Kris Funston  
Executive General Manager, Network Regulation  
Australian Energy Regulator  
Level 27, 135 King St  
Sydney NSW 2000

Dear Kris,

**Re: Response to the AER's supplementary Draft Decision – Marinus Link (Part B – Construction costs)**

Marinus Link Pty Ltd (**MLPL**) welcomes this opportunity to respond to the AER's supplementary Draft Decision in relation to the costs of constructing Stage 1 of Marinus Link, the first 750MW of a 1500MW interconnector between Tasmania and Victoria. MLPL also appreciates the ongoing opportunity to engage with the AER throughout this important regulatory process.

Our response carefully considers the AER's supplementary Draft Decision and provides further supporting evidence to ensure the Final Decision reflects a comprehensive and accurate understanding of the project's requirements.

As the first subsea HVDC interconnector in Australia in more than 20 years, Marinus Link will deliver substantial benefits to consumers across the NEM. The timely delivery of this project is a key focus for MLPL's management team and Board, as Marinus Link will play an essential role in Australia's energy transition as highlighted by AEMO's Integrated System Plan.

MLPL's management and Board have been consistently focused on ensuring that the project can be delivered efficiently at the lowest cost to consumers. The 'early works' phase of the project provided MLPL with the opportunity to design and execute our procurement strategy; refine our project delivery strategy; and continue our engagement with stakeholders to achieve the best outcome for consumers.

At the conclusion of the early works phase, we have been able to obtain 'Class 2' cost estimates for the three principal contracts and engage Jacobs as our Integrated Delivery Partner. Jacobs will provide invaluable project management resources, systems and processes, which will assist MLPL to manage project delivery prudently and efficiently in the long-term interests of consumers.

MLPL welcomes the AER's conclusions in respect of several important aspects of our proposal, including that:

- MLPL's procurement has been conducted to a high standard and sustained competitive tension, consistent with industry norms and government procurement requirements;
- MLPL's forecast expenditure for its three competitively tendered major works packages should be accepted in full; and
- MLPL's proposed inclusion of Stage 2 enabling works is appropriate, given the likely efficiencies that will be achieved by performing them concurrently with Stage 1.

In relation to MLPL's support activities, we are also pleased that the AER has largely accepted our forecast expenditure, with reductions of 3% (or \$16 million) proposed by the AER. While this level of reduction may appear to be manageable, it is important to recall that MLPL had already made substantial reductions to its earlier forecasts through a series of internal and external reviews. As such, MLPL considers that its previously submitted forecast expenditure for support activities is justified and we have sought to address in our attached submission the issues raised by the AER.

A significant area of concern, however, relates to the AER's assessment of our risk allowance which suggests a reduction of \$162.8 million or 45% from our proposed allowance of \$361.5 million to \$198.7 million (\$2023). The AER's reduced allowance, based on advice from its consultant EMCa, is approximately 6% of the total project costs.

MLPL's view is that this level of risk allowance does not reflect the complexity of the project, which has a mix of logistical, technical and management challenges as the first HVDC

interconnector for more than 20 years that requires ongoing engagement across three jurisdictions and includes approximately 90km of undergrounding that will affect a significant number of private landholders.

MLPL is particularly concerned that EMCa's conclusions regarding MLPL's risk allowance have been justified with reference to a benchmark comprising three-companies: HumeLink (9.6%); Project EnergyConnect (2.5%) and Eyre Peninsula (4.5%). It has been widely reported that Project EnergyConnect has experienced very significant problems which have resulted in cost increases in the order of \$1.5 billion. In those circumstances, the \$43 million risk allowance that was provided for Project EnergyConnect cannot be regarded as a credible benchmark for future AER determinations. Similarly, Eyre Peninsula was a brownfield project which is approximately 1/10<sup>th</sup> the capital cost of Marinus Link, and also cannot be considered a credible benchmark. The only remaining company in EMCa's benchmark is HumeLink, where the AER approved a risk allowance of 9.6%, which is more than 50% greater than the 6% proposed for Marinus Link.

In the attached submission, we have asked E3 Advisory to provide a detailed response to the matters raised by EMCa regarding our bottom-up risk assessment. MLPL previously engaged E3 Advisory to prepare the risk allowance that we submitted in July 2025, noting that risk quantification is a core service provided by E3 Advisory, which has multiple risk practitioners with expertise in qualitative and quantitative risk assessment for cost and schedule, and is highly skilled in use of probabilistic modelling software including @Risk and Safran.

We have also engaged Aurecon to provide their feedback on the AER's supplementary Draft Decision, and a copy of their report is also provided as an attachment to our submission. MLPL considers that the further information provided in our submission should enable the AER to revisit the risk allowance and provide an updated assessment in its Final Decision that is commensurate with the complexity and challenges in delivering Marinus Link.

In the attached submission, we have also addressed the related issues of the capital expenditure sharing scheme (**CESS**) and the pass-through provisions. In the supplementary Draft Decision, the AER has maintained its earlier view that MLPL's risk profile is similar to

HumeLink's and, therefore, the same CESS incentive rates should apply. While MLPL appreciates the AER's further consideration of this issue in its supplementary Draft Decision, our concern is two-fold:

- It appears to be inconsistent to accept that MLPL faces similar risks to HumeLink in relation to the CESS, but to adopt a risk allowance for MLPL that is substantially lower; and
- MLPL remains concerned that the proposed incentive rates will expose MLPL to downside financial risks (especially with concessional financing arrangements) that cannot be managed by increasing managerial effort on cost control. In effect, the proposed incentive rates may have the effect of imposing financial penalties on MLPL that cannot induce efficiency improvements.

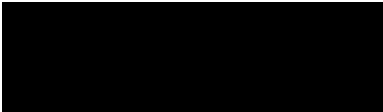
Given these concerns, MLPL has asked Incenta Economic Consulting to provide an independent expert opinion in relation to the CESS, which is provided as an attachment to our submission. Incenta's report highlights a recent decision by the UK regulator, Ofgem, which adopts lower incentive rates compared to the AER's proposal. In light of Incenta's further advice, MLPL has proposed a compromise position for the AER to consider in its Final Decision.

In all other respects, MLPL accepts the findings in the AER's supplementary Draft Decision. One specific issue worth noting is the AER's proposed amendment to the financial modelling relating to equity raising costs, which has the effect of reducing the allowance from \$49.0 million to \$40.9 million. This issue is a technical one that relates to the treatment of capitalised revenue, which is unique to MLPL. While MLPL considers that its proposed approach is consistent with the concept of the benchmark firm, we accept the AER's finding on that issue.

We appreciate the constructive approach taken by the AER's Board and staff to its revenue determination process for Stage 1 of Marinus Link. We look forward to continuing this constructive engagement with the AER in the best interests of consumers as it works towards publishing its Final Decision in February 2026. In the meantime, if you have any queries on

this letter or our submission, please contact [Prajit.Parameswar@marinuslink.com.au](mailto:Prajit.Parameswar@marinuslink.com.au) in the first instance at your earliest convenience.

Yours sincerely,



Stephanie McGregor

**Chief Executive Officer**