19 December 2025

Dr Kris Funston

EGM, Network Regulation

Australian Energy Regulator

Lodged by email: marinuslink2025@aer.gov.au

Dear Kris

AER consultation on Marinus Link Stage 1, Part B Supplementary Draft Decision

Energy Networks Australia (ENA) welcomes the opportunity to make this submission in response to the Australian Energy Regulator's consultation on its Supplementary Draft Decision: Marinus Link Stage 1, Part B (construction costs) Electricity Transmission Determination 2025-30 (the Supplementary Determination).

ENA represents Australia's electricity transmission and distribution and gas distribution networks. Our members provide more than 16 million electricity and gas connections to almost every home and business in Australia.

This submission is made on behalf of ENA's electricity Transmission Network Service Provider (TNSP) members. Our submission focuses on the treatment of the risk allowance, which is a matter of significant importance to TNSP members.

A well-calibrated risk allowance is essential to ensuring that major regulated projects can attract and retain the capital required for timely delivery. Large, long-lived and greenfield transmission investments such as Marinus Link involve substantial complexity, extended delivery timeframes, exposure to market and supply-chain uncertainty, and interdependencies with other system investments. From the industry's perspective, the risk allowance is a core part of the framework investors use to assess whether the regulatory regime adequately compensates for the inherent uncertainties in these projects.

For investors and financiers, predictability, transparency and consistency in the AER's approach to risk allowances are as important as the quantum itself. Regulatory uncertainty can be introduced where the methodology or application of risk allowances is unclear or varies materially between determinations or stages of the regulatory process. Uncertainty increases perceived risk and, in turn, the required return for capital providers. Australia faces unprecedented transmission investment needs to enable the energy transition. Any regulatory settings that increase perceived investment risk may delay critical infrastructure delivery and raise long term costs to consumers.

ENA recognises that a risk allowance should not operate in isolation and that the AER appropriately considers a suite of mechanisms to allocate, manage and share risk. These include incentive frameworks, cost pass-through provisions, contingent project mechanisms, and ex-post prudency and efficiency assessments. The final risk allowance should reflect the balance between these tools, and in doing so effectively constrain risks borne by customers. It is important that the overall package provides investors with confidence that efficient risk costs will be recoverable, and that the regulator's approach is coherent, predictable and durable.

From an energy system transition perspective, a risk allowance set materially below what is reasonably required may create financing challenges, place pressure on project delivery timeframes, and diminish appetite for future large-scale regulated investments. Conversely, a well-justified and transparent allowance as part of a package of measures to allocate and share risks appropriately, supports efficient risk-taking, encourages capital formation, and ultimately lowers long-term consumer costs by reducing financing risk premiums and ensures risks are managed by those who are best placed to do so.

In recent years, large infrastructure projects, particularly in the energy sector, have faced elevated risk profiles due to global supply-chain pressures, rising construction and financing costs, and constrained labour markets. These factors have contributed to material cost escalations and delivery delays across comparable transmission and generation developments, both in Australia and internationally. These conditions underscore the importance of an appropriately calibrated risk allowance for Marinus Link and similar large greenfield infrastructure projects.

ENA encourages the AER to ensure its final position on the Marinus Link risk allowance provides clear reasoning, applies a consistent approach, and supports investor confidence in delivering nationally significant transmission projects. We look forward to ongoing engagement on this important issue.

If you would like to discuss this submission, please contact Russell Pendlebury, General Manager, Regulation and Policy, at [redacted]

Yours sincerely,

[redacted]

Dominic Adams

Acting Chief Executive Officer