

Marinus Link:

Decision to amend the Commencement and
Process Paper

March 2024

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Inquiries about this publication should be addressed to:

Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601
Tel: 1300 585 165

AER reference: 23007164

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1 Request to amend commencement and process paper

1.1 Background

On 1 June 2023, we published our decision to commence a revenue determination process for Marinus Link and the Commencement and Process Paper to apply to the determination.¹ This decision was made in accordance with Rule 6A.9 of the National Electricity Rules (NER) that provides for an 'Intending Transmission Network Service Provider' (Intending TNSP) to request us to commence the process for making a transmission determination for a proposed prescribed transmission service, and to determine the process to apply for making that transmission determination.

The Commencement and Process Paper sets out a staged approach comprising:

- Stage 1, Part A (Early works): a revenue determination for pre-construction activities allowing for better revealed construction costs and stakeholder engagement.
- Stage 1, Part B (Construction costs): a construction cost determination, in which we would determine the cost of constructing Marinus Link.
- Stage 2: a full revenue determination, which, on the basis of the construction cost determination, we would determine all of the matters we are required to under rule 6A.14 of the NER.

On 19 December 2023 we published a revenue determination for the Stage 1, Part A (Early works).²

On 16 February 2024, Marinus Link wrote to the AER to request an update to the Commencement and Process Paper.³ The request was made in accordance with clause 6A.9.3(f) of the NER, which provides that the AER may, on application of the relevant Intending TNSP, amend a Commencement and Process Paper if the AER is satisfied that the circumstances have arisen such that the amendment is reasonably necessary.

1.2 Circumstances that warrant an amendment

In its letter to the AER, Marinus Link state the following as grounds requiring amendments to the Commencement and Process Paper:

- Feedback from the Marinus Link Consumer Advisory Panel (CAP) is that the CAP would like further engagement as updated cost information becomes available.
- The competitive tender processes remain ongoing and will not be completed before 28 February 2024, being the intended submission date for Marinus Link's Stage 1, Part B (Construction cost) revenue proposal.

¹ AER, *Marinus Link Decision: Transmission Determination Commencement and Process Paper*, June 2023.

² AER, *AER Determination: Marinus Link Stage 1, Part A (Early works)*, December 2023.

³ Marinus Link, *Letter to AER: Commencement and Process Paper*, February 2024

- There has been a delay in the forecast commissioning date for the first cable and the optimal timing of the second cable remains under consideration.

The AER has considered the grounds on which Marinus Link has requested amendments to the Commencement and Process Paper and is satisfied that circumstances have arisen such that the proposed amendments are reasonably necessary. The reasons for our decision on each of the request amendments are set out below.

1.3 Summary of amendments

Amendments proposed by Marinus Link, accepted by the AER and updated in the revised Commencement and Process Paper are set out below.

1.3.1 Delay submission of the Stage 1, Part B (Construction cost) revenue proposal

Marinus Link has requested to delay submission of the Stage 1, Part B (Construction cost) revenue proposal from 28 February 2024 to 15 July 2024 with Marinus Link to provide the AER with a draft revenue proposal, expected in April or May.

In amending the Commencement and Process Paper the AER notes the revised submission date will support stakeholder engagement prior to submitting the Stage 1, Part B (Construction cost) revenue proposal in July 2024 and accommodate ongoing competitive tender processes.

In approving the delayed submission of the Stage 1, Part B (Construction cost) revenue proposal, we consider Marinus Link's request reasonable. The additional time will allow Marinus Link to progress competitive tender processes, supporting a more robust and accurate revenue proposal. Delaying submission of the construction cost revenue proposal will support stakeholder engagement and is consistent with the CAP's request for further engagement as the Stage 1, Part B (Construction cost) revenue proposal is developed. This will promote the efficiency of these investments in national electricity system. We consider this amendment to the CPP promotes the National Electricity Objective.

In approving the amended timeline, we note the Marinus Link's intention to provide a RIT-T update and submit a feedback loop request to AEMO. The AER considers these steps as critical before progressing to the Stage 1, Part B (Construction cost) step, the revised timelines will support both the revised RIT-T and feedback loop process.

1.3.2 Extend the first regulatory control period from 3 to 5 years

Marinus Link has requested to extend the first regulatory control period so that it applies from 1 July 2025 to 30 June 2030. Marinus Link advise the two year extension to the first regulatory control period will ensure the timing coincides with the likely commissioning date of cable one, which Marinus Link advise is now expected in late 2030.

In amending the Commencement and Process Paper to extend the first regulatory control period the AER notes the Stage 2 revenue proposal will be submitted to the AER in January 2029, as opposed to January 2027 as originally intended by Marinus. This will support more accurate information in the Stage 2 revenue proposal.

1.3.3 Consideration of contingent project applications

The Marinus Link Commencement and Process Paper includes *Attachment A – Table of decisions to be made under rule 6A.14 of the NER by Stage/Part* that sets out which matters under rule 6A.14 of the NER the AER will determine at each stage of the Marinus Link revenue determination process.⁴ Under the original Commencement and Process Paper, contingent project applications can only be considered at Stage 2.

Given uncertainty regarding the optimal timing of the second cable, Marinus Link has requested amendments to the Commencement Process Paper to allow contingent project applications to be included at Stage 1, Part B (Construction costs), thus allowing the inclusion of a contingent project application for the second cable.

In amending the Commencement and Process Paper, the AER notes the optimal timing of the second cable remains under consideration. Consequently, including construction costs for both cable 1 and cable 2 at Stage 1, Part B, as originally intended by Marinus Link, is no longer the preferred approach. Providing an option of including a contingent project application at Stage 1, Part B (Construction cost) provides Marinus Link with flexibility regarding construction of the second cable, noting the optimal timing of the second cable is under consideration. In approving the option of including a contingent project application at the earlier stage, the AER notes the revised approach will assist in managing uncertainty regarding the costs and timing of the second cable and will assist both the AER and interested stakeholders to access accurate information regarding the cost of delivering cable 2 once the optimal timing is known.

In order for the AER to consider a contingent project application, as requested by Marinus Link, points 4 (i)(ii)(iii) and (iv) referenced in Attachment A of the Commencement and Process Paper, each relating to contingent projects, have been amended to allow inclusion at Stage 1, Part B (Construction cost) stage.

1.4 Next Steps

The AER has amended and published an updated Marinus Link Commencement and Process Paper⁵ that reflects the changes requested by Marinus Link and approved by us.

⁴ AER, *Marinus Link Decision: Transmission Determination Commencement and Process Paper*, June 2023, pp. 11-12.

⁵ AER, *Marinus Link: Updated Commencement and Process Paper*, March 2024

Glossary

Term	Definition
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
CAP	Consumer Advisory Panel
NER	National Electricity Rules
TNSP	Transmission Network Service Provider
