

30 October 2024

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

Dear Ms Harris,

Subject: Request for amendment to Commencement and Process Paper

I am writing to formally request an amendment to the *Commencement and Process Paper*, issued in March 2024, which details the transmission determination process for Marinus Link project under clause 6A.9.2(f) of the *National Electricity Rules (NER)*.

As you know, Marinus Link is a crucial part of the Integrated System Plan (ISP) included in the Australian Energy Market Operator's (AEMO) Optimal Development Path, designed to deliver reliable energy solutions at the lowest overall cost. Following the Australian Energy Regulator's (AER) approval of MLPL's Revenue Proposal – Part A (Early works) in December 2023, we have made significant progress, including awarding major contracts to Hitachi Energy and Prysmian Powerlink for converter station equipment and cables, respectively, through a competitive process.

However, based on market feedback, MLPL revised the tender process for the remaining Balance of Works (BoW), which includes land cable civil works and converter stations design and construction. As a result, we decided to prudently defer the submission of the Revenue Proposal – Part B (Construction costs), originally scheduled for 15 July 2024. The AER was informed in advance, and we appreciate your understanding in this matter.

Proposed updated timeline and regulatory approach

Given the latest developments with the BoW process, we are now proposing an updated timeline and regulatory approach for the submission of the Revenue Proposal - Part B (Construction costs). The key considerations for this amendment include:

- Allowing sufficient time for the AER and stakeholders to review MLPL's forecast expenditure for Stage 1 works¹.

¹ Stage 1 is a 750MW link and will include prudent and efficient expenditure to facilitate enabling works for Stage 2. The optimal timing of Stage 2 has not yet been determined, although it may be as early as 2032-33 according to the 2024 ISP.

- Ensuring adherence to regulatory processes for Revenue Determinations and Contingent Project determinations, applicable to ISP projects², while maintaining procedural fairness and meaningful stakeholder input.
- Providing the AER with accurate and reliable cost data, minimising the need for future revisions.
- Ensuring confidence in the determination process and keeping the project timeline intact by minimising further changes to the Commencement and Process Paper.

Updated timeline proposal

Milestone	Current timing	Proposed timing
Marinus Link to submit Stage 1, Part B (Construction costs) Revenue Proposal	15 July 2024	by 29 November 2024
AER issues paper and stakeholder consultation	August 2024	February 2025
AER public forum	August 2024	February 2025
AER draft decision	November 2024	March 2025
Marinus Link to submit revised Revenue Proposal	January 2025	15 July 2025*
AER final decision on Part B (Construction costs) Revenue Proposal	15 April 2025	31 October 2025*
First Regulatory Period commences	1 July 2025	Unchanged
Marinus Link to submit Stage 2 (Revenue Proposal)	30 January 2029	Unchanged
AER final decision on Stage 2 (Revenue Proposal)	30 April 2030	Unchanged
First Regulatory Period ends	30 June 2030	Unchanged

* For flexibility, dates may depend on the completion of the BoW tender and availability of market tested numbers.

While the following milestones are internal to MLPL, we request that the AER takes them into consideration when reviewing the proposed timeline:

1. **Final Investment Decision (FID):** MLPL's Board aims to make an FID recommendation to its shareholders by 31 May 2025, and the AER's draft decision will play an important role in informing this decision.
2. **Financial Close (FC):** The AER's final decision is required to meet the Clean Energy Finance Corporation's (CEFC) requirement for revenue certainty as a condition of concessional debt financing. The window for achieving FC is between December 2025 and March 2026, noting that the AER's final decision and other conditions precedent will need to be achieved several weeks prior to FC.

Proposed updated approach

MLPL's submission for the Stage 1 Revenue Proposal - Part B (Construction costs) will include detailed estimates for the project, including the cables and converter equipment forecast expenditure aligned to

² In addition, the Intending TNSP provisions in clause 6A.9.1 of the National Electricity Rules provides for extensive flexibility in the revenue setting process.

executed contracts and estimates for remaining forecast expenditure supported by independent expert reports. We consider the cables and converter equipment forecast expenditure, comprising approximately 46% of the construction costs, to be at a level of AACE Class 2. The remaining cost elements are considered to currently be at AACE Class 3 or above.

The remaining cost elements, such as BoW, supporting costs, hedging and insurance will be updated post tender completion in the revised Revenue Proposal. Any consequential adjustments to forecast expenditure, including risk allowances, will be clearly identified in the Revised Proposal. As the BoW tender process is expected to yield market tested costs by April 2025, MLPL proposes submitting an updated expenditure forecast in the revised Revenue Proposal on 15 July 2025.

We acknowledge that the proposed process does not include a formal opportunity for MLPL to respond to AER's review of the BoW costs, which will only be presented in the revised Revenue Proposal. However, this is consistent with clause 6A.9.3(d)(2) of the NER, and aligns with the Contingent Project Application provisions, where no draft decision is required. We expect the AER will engage with MLPL on the BoW cost forecasts in a similar manner to interactions with Contingent Project proponents. As such, MLPL does not foresee significant concerns regarding procedural fairness.

We are proposing no changes to the scope of the AER's review for the Revenue Proposal - Part B (Construction costs), recognising that certain standard requirements, such as expenditure forecasting and pricing methodologies, the framework and approach paper and the overview paper will be omitted, in accordance with the Intending TNSP provisions.

Stakeholder engagement remains a priority, particularly in explaining any changes to project costs between the Revenue Proposal and the revised Revenue Proposal. The submission timeframes for the regulatory period and the Revenue Proposal for Stage 2 are unchanged. As noted in the Commencement and Process Paper, Stage 2 is a full revenue determination, which will incorporate all the elements of a revenue determination, including a decision on operating expenditure and MLPL's transmission pricing methodology.

MLPL understands that stakeholders are keen to understand how the latest cost estimates for the project affect the net market benefits expected from Project Marinus. To date, MLPL has proactively ensured compliance with the Rules relating to the Regulatory Investment Test for Transmission (RIT-T) and provisions addressing material changes in circumstance. Notably, in April 2024 we conducted and published a RIT-T update, which included EY's updated market modelling and the most recent project cost information at that time. The update confirmed that the preferred option is unchanged from the Project Assessment Conclusions Report.

MLPL plans to revisit the RIT-T update prior to submitting the revised Revenue Proposal in July 2025, by which point updated cost information for Project Marinus, including the Northwest Transmission Developments, will be available. In parallel, MLPL will engage with AEMO to progress the feedback loop process, noting that TasNetworks will need to complete this process in relation to its contingent project application.

MLPL intends to formally commit to this approach for the RIT-T update and feedback loop process in a cover letter accompanying the Revenue Proposal in November 2024.

Closing

We are grateful for the constructive engagement of the AER Board and staff, especially during recent workshops and discussions where we explored alternative timeframes that better align with project

milestones, stakeholder engagement and regulatory scrutiny. Should you wish to discuss these matters further, please feel free to contact Prajit Parameswar at Prajit.Parameswar@marinuslink.com.au.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Collette Burke'. The signature is stylized with a large, looping 'C' and 'B'.

Collette Burke
Interim Chief Executive Officer