

29 November 2024

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

Dear Ms Harris

### **Marinus Link's Revenue Proposal Stage 1 – Part B (Construction costs)**

I am delighted to be able to submit Marinus Link's Revenue Proposal Stage 1 – Part B (Construction costs) (**Revenue Proposal**) on behalf of Marinus Link Pty Ltd (**MLPL**), which addresses the costs of constructing stage 1 of the project, covering the period from 1 July 2025 to 30 June 2030. We anticipate that the scope and content of this Revenue Proposal will comply with the requirements of the AER's amended Commencement and Process Paper, which we expect to be published in the week commencing 2 December 2024.

This Revenue Proposal reflects an important milestone for Marinus Link, which will leverage Tasmania's natural advantage in wind resources and energy storage for the benefit of electricity customers across the National Electricity Market (**NEM**). It follows the successful completion of the Stage 1 – Part A (Early works) revenue determination process, which has enabled MLPL to progress the planning and approvals process; develop and implement the procurement strategy; clarify the project scope and timelines; and refine the cost estimates.

As a consequence of the significant work to date, MLPL has now executed major contracts with Hitachi Energy (in May 2024) and Prysmian Powerlink (in August 2024) for converter station equipment and cables, respectively. These contracts secure the design, manufacture, supply and installation of the key assets that are required to complete stage 1 of Marinus Link, which will provide 750MW of interconnector capacity. This outcome has been achieved through best-practice competitive tender processes, supported by expert advisors and independent probity specialists, followed by months of intensive negotiations with our preferred service providers.

More work needs to be done to complete the final stage of the tender process, which will cover the construction of the converter station buildings and the land cable civil works. This 'Balance of Works' tender is scheduled for completion in May 2025, which means that MLPL will have updated project cost estimates available in July 2025. In the interim, we respectfully request that the AER takes into consideration and comments on any material submitted by MLPL in relation to these other cost

elements – including as to the robustness of the process and evidence adopted in updating its cost estimates to date and the reasonableness of its proposal to provide updated information in a revised Revenue Proposal in or around July 2025. We welcome and support any process that will provide maximum opportunity for consumer and stakeholder engagement.

MLPL recognises the challenges facing the NEM as Australia transitions to net zero. The challenges we face in Australia are mirrored globally, as advanced and developing economies respond to the climate crisis. These developments, together with the ongoing conflict in Ukraine and the instability in the Middle East, have led to unprecedented international demand for interconnector capacity. For example, MLPL's market research identified 38 HVDC cable projects with a medium to high likelihood of the projects materialising, with 31 projects located in Europe.

As a consequence of this international demand, together with global and local inflationary pressures, particularly in relation to infrastructure projects, the total costs of stage 1 for Marinus Link are now expected to be in the region of \$3.86 billion<sup>1</sup> which is approximately 17% above our previous estimates. MLPL is acutely aware of the affordability concerns expressed by electricity customers and the need to keep costs as low as possible. Affordability has been a consistent theme raised by our Consumer Advisory Panel, which has provided invaluable input to MLPL over the past 2 years.

To assist in addressing these affordability concerns, MLPL has been working closely with the Clean Energy Finance Corporation and our shareholders to secure concessional finance. While these arrangements have not been settled, we expect that customers will obtain substantial benefits totalling approximately \$800 million in nominal terms over the 2030-2035 regulatory period alone. This Revenue Proposal provides indicative information on MLPL's revenue requirements once the benefits of concessional finance have been included and the prices that customers in Victoria and Tasmania are likely to pay when services commence in 2030.

In the nearer term, MLPL will be working hard over the coming months to complete the Balance of Works tender to secure the lowest cost outcome for customers. In addition, we will be refining the costs of project management and other support activities that are necessary to ensure that the project is delivered efficiently and in accordance with the project schedule, as well as the risk allowance, which will be estimated in accordance with the AER's guidelines.

In addition to keeping the total project costs as low as possible, MLPL is aware of its obligations to ensure that the project continues to maximise net market benefits in accordance with the Regulatory Investment Test for Transmission (**RIT-T**). In April 2024, MLPL published a RIT-T update which showed that the total project, including stages 1 and 2, would deliver a net economic benefit of \$1.78 billion<sup>2</sup>, which means that the total cost savings for electricity consumers, taking account of the costs of Marinus Link, will be \$1.78 billion if Marinus Link proceeds as planned. While the latest estimates show a

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1 The total expenditure presented in this Revenue Proposal is lower than this figure because it does not include the early works expenditure pre-1 July 2025 or the commissioning costs post-30 June 2030.

2 This figure is expressed in 2023 dollars and reflects AEMO's Delphi weighted average as set out in its 2024 Integrated System Plan.

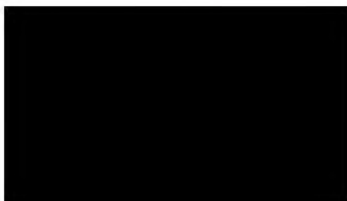
reduction in this net benefit to \$1.48 billion, the case for proceeding with the project remains compelling. Furthermore, these estimates exclude the broader benefits from Marinus Link associated with economic and employment growth, including multiplier effects, as detailed in EY's study in October 2023.<sup>3</sup>

As previously explained in MLPL's public consultation on the RIT-T update in April 2024, MLPL has formed the opinion that the preferred option remains unchanged from the RIT-T while noting that the timing of the second cable remains uncertain. To address this uncertainty, this Revenue Proposal proposes that stage 2 is treated as a contingent project, which would be triggered by a statement from AEMO in a future Integrated System Plan that stage 2 should proceed.

MLPL proposes to refresh its RIT-T analysis once the Balance of Works market tested pricing is known. In addition, MLPL will complete the feedback loop process with AEMO in order to confirm that the project remains on its Optimal Development Path. We will complete this process alongside TasNetworks, which is responsible for delivering the North West Transmission Developments that will support Marinus Link. In our view, this approach should provide stakeholders with comfort that the project will achieve a net benefit for customers.

We are grateful for the constructive engagement of the AER Board and staff, and we look forward to continuing to work closely with you and stakeholders in the coming months.

Yours sincerely



Collette Burke  
**Interim Chief Executive Officer**  
**Marinus Link Pty Ltd**

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<sup>3</sup> EY, The economic contribution of Project Marinus, October 2023. Available at: <https://www.marinuslink.com.au/wp-content/uploads/2023/12/The-economic-contribution-of-Project-Marinus.pdf>