MARINUS LINK

Explanation of Capital Expenditure Requirements

Attachment 4: Support activities

Revenue Proposal

November 2024

Responsibilities

This document is the responsibility of the Marinus Link Team, Marinus Link Pty Ltd PO Box 606 Moonah Tasmania 7009, ABN 47 630 194 562 (hereafter referred to as MLPL).

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Executive summary

Purpose

Marinus Link Pty Ltd (**MLPL**) has prepared this document to support its Revenue Proposal – Part B (Construction costs). The purpose of this document is to explain the scope and costs of the support activities that MLPL will undertake to enable Marinus Link to be delivered in a timely and efficient manner. Support activities include expenditure relating to:

- Landholder and community engagement programs, including Traditional Owners, and stakeholder relations;
- Land and easement acquisition;
- Environmental impact assessment;
- Technical designs and specifications;
- Procurement strategy and execution;
- Biodiversity costs;
- Program and project management;
- Corporate costs and support; and
- Insurance.

Separate attachments provide explanatory information for the three major works packages that comprise the construction phase of the project, being for converter station equipment; cables system (submarine and land); and Balance of Works. Each of these three works packages are the subject of competitive tender processes, with the latter expected to be completed in May 2025. In completing the tender process and negotiations, MLPL's focus will be on achieving the optimal outcome for electricity customers having regard to the likely costs, service performance and residual risks.

The forecasts presented in this attachment may be subject to change depending on the outcome of the Balance of Works tender process. Specifically, it is conceivable that MLPL makes changes to the scope of its support activities to reflect the roles, responsibilities and risks allocated between MLPL and the Balance of Works service provider.

One specific issue to be considered is the extent to which project delivery will be managed in-house by MLPL or contracted to a third party. The forecasts presented in this attachment assume that MLPL will seek an integrated delivery partner to work with MLPL's internal delivery team. At this time, MLPL considers that this approach may provide the optimal balance between internal and external capability to ensure that the project is delivered prudently and efficiently.

However, MLPL will maintain a flexible attitude to its preferred delivery model as we progress the Balance of Works tender process and our engagement with prospective delivery partners. If we modify our preferred delivery model, a comprehensive explanation of any changes will be provided in our revised Revenue Proposal. If a change is made, it will be justified in terms of the prudency and efficiency of the expected outcomes in accordance with the Rules requirements.

Forecast expenditure

Marinus Link will be delivered in two 750 MW stages. AEMO's 2024 ISP has assessed the least cost solution as requiring the first stage to be delivered in 2030-31 and the second stage as early as 2032-33, under the green exports scenario.[1] MLPL is therefore progressing the first stage by 2030, with the timing of the second stage to be informed by AEMO's future ISPs. This document relates to the first stage of the project, which will deliver 750 MW of interconnector capacity and undertake sufficient work to facilitate the timely and efficient delivery of the second stage.

MLPL's support activities cover the work that MLPL must do to ensure that the project can be delivered on time and budget. This includes stakeholder engagement and maintaining social license for the project, in addition to activities that more directly support project delivery.

MLPL also described 'support activities' in its early works Revenue Proposal. For early works, these activities which were focused on the planning approvals, design and tendering processes so that MLPL could establish a more robust estimate of the total project costs. During the construction phase of the project, MLPL's support activities will change as the focus shifts from planning to delivery. Notwithstanding this change in scope, we have retained the naming conventions for the support activities adopted during the early works phase. This approach will enable the AER and other stakeholders to understand how the activities and resourcing requirements will change as we move through to the construction phase of the project. Biodiversity and insurance have also been included as additional cost categories.

For each support activity, we have described the objectives and scope of work to provide a high level explanation as to why the proposed work is important to the successful delivery of the project. As already noted, the construction works will be undertaken by third party contractors appointed through competitive tender, and not by MLPL. Therefore, the support activities described in this attachment are those tasks that

[1] AEMO 2024 Integrated System Plan, Appendix 6, Cost Benefit Analysis, June 2024, page 63.

are best retained by MLPL to ensure that our principal contractors are able to deliver their contractual commitments in a timely and efficient manner.

For each support activity, we have also considered the optimal level of external assistance from specialist service providers, rather than necessarily providing those resources in-house. In addition to ensuring that we maintain a flexible approach to resourcing particular tasks, we have also had regard to MLPL's longer term role as a TNSP. In particular, it is important to ensure that our people, processes and systems are right-sized to address the construction phase of the project and to equip MLPL to undertake the role of transmission asset owner and operator once the project is commissioned. For in-house resources, we have carefully considered the roles that are required during the regulatory period and the salaries for each role.

In preparing our expenditure forecasts, we have paid particular attention to the prudency and efficiency of our forecast expenditure in accordance with the Rules requirements; the AER's Better Resets Handbook[2]; and the AER's expenditure forecast assessment guidelines for electricity transmission.[3] Our engagement with the Consumer Advisory Panel has also emphasised the importance of ensuring that MLPL has regard to affordability, especially in the current economic environment. To assist us in that regard, we have engaged independent experts, Aurecon, to review our expenditure forecasts and highlight any areas where cost savings could be achieved. The forecasts presented in this attachment discuss Aurecon's findings, which draws on benchmarking analysis, other major projects and their expertise. A copy of Aurecon's report is provided as Attachment 9 to this Revenue Proposal.

In addition to engaging Aurecon to conduct an in-depth review, MLPL's Board undertook an extensive review of management's forecasts, including through the engagement of external advisors, to ensure that the bottom up forecasting approach adopted by management has been combined with a 'top down' discipline to produce forecasts that are prudent and efficient. MLPL considers that the governance role undertaken by the Board, including its reliance on independent expert advice, provides a further layer of credibility to MLPL's forecasts.

Table 1 shows the forecast expenditure for MLPL's support activities for the construction phase of the project. These support activities are assumed to commence on 1 July 2025, i.e., shortly after MLPL is expected to make its Final Investment Decision (**FID**) to proceed with the project.

Table 1: Forecast expenditure for support activities ($m real 2023)

	2025-26	2026-27	2027-28	2028-29	2029-30	Total
Landholder and community engagement	[redacted]					

[2] AER, Better Resets Handbook Towards Consumer Centric Network Proposals, July 2024.

[3] AER, Expenditure Forecast Assessment Guideline for Electricity Transmission, October 2024.

	2025-26	2026-27	2027-28	2028-29	2029-30	Total
Land and easement acquisition*	[redacted]					
Environmental impact assessments	[redacted]					
Technical designs and specifications	[redacted]					
Procurement strategy and execution	[redacted]					
Biodiversity	[redacted]					
Program and project management	[redacted]					
Corporate costs and support	[redacted]					
Insurance*	[redacted]					
Total expenditure*						

* This cost information is commercially sensitive and has been redacted for the purposes of this Revenue Proposal.

As already noted, the forecast expenditure for MLPL's support activities may be updated in MLPL's revised Revenue Proposal if the scope changes following the completion of the Balance of Works competitive tender and negotiation process. Any consequential changes to MLPL's forecast expenditure will be fully explained and justified in our revised Revenue Proposal and will avoid any reworking by the AER to the greatest extent possible.

Contents

1 Introduction and overview

1.1 Purpose

Marinus Link is an infrastructure project of national significance which is expected to deliver substantial benefits to electricity consumers by reducing wholesale electricity costs. It involves the construction of approximately 255 kilometres of submarine High Voltage Direct Current (**HVDC**) cable and approximately 90 kilometres of underground HVDC cable in Victoria. It also includes converter stations in Tasmania and Victoria.

The total interconnection capacity will be 1500 MW, provided through two 750 MW cables which will be delivered in two stages. Figure 1 provides a schematic overview of Marinus Link.

Figure 1: Overview of Marinus Link

Marinus Link is part of a larger project, which is referred to as Project Marinus, which will be developed and owned by different entities. Marinus Link will be owned and operated by MLPL, while TasNetworks will progress the supporting transmission assets in Tasmania called North West Transmission Developments.

MLPL has commenced its revenue determination process, which is being undertaken by the AER in accordance with Part D, clause 6A.9 of the National Electricity Rules (**Rules**). In accordance with those provisions, the AER published its updated Commencement and Process Paper, which sets out the AER's timetable and process for setting MLPL's regulated revenues. The first part of that process was completed in December 2023 with the publication of the AER's determination on MLPL's Revenue Proposal – Part A (Early works).[4]

This supporting document forms part of MLPL's Revenue Proposal – Part B (Construction costs). It is one of eight attachments that collectively provide a detailed explanation of our forecast capital expenditure for

[4] AER Determination, Marinus Link Stage 1, Part A (Early works), December 2023, page iv.

completing the construction of Marinus Link to 30 June 2030[5]. For further information on the other attachments, please refer to section 1.7 of our main Revenue Proposal.

1.2 Scope

Our Revenue Proposal - Part A (Early works) set out a range of activities that were required to improve our estimate of the construction costs and facilitate the timely delivery of the project by undertaking the necessary preparatory work (including pre-construction activities and land purchases). For revenue setting purposes, MLPL proposes that the early works phase of the project ceases on 30 June 2025, which is shortly after FID is expected to be made regarding the construction phase of the project.

While the early works activities cease on 30 June 2025, a number of the support activities will continue into the construction phase of the project. For example:

- Landholder and community engagement programs will continue beyond 30 June 2025, although the objective and scope of our engagement will change as the project transitions from early works to the construction phase.
- Procurement strategy and execution will be substantially reduced during the construction phase of the project, as the tender process for the three works packages will be completed prior to the construction phase commencing.

For the purposes of this attachment, rather than renaming the 'early works' categories to better reflect the scope of the support activities during the construction phase, we have retained the same naming conventions. This approach will allow the AER and stakeholders to understand how the resourcing and expenditure requirements in each category are changing from the early works to the construction phase, including changes in the level of internal staff and external service providers.[6] The full list of support activities for the construction phase of the project is presented in section 1.3 below.

1.3 Structure of this document

The remainder of this document is structured as follows:

- Chapter 2 presents the expenditure forecasts for support activities.

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5 Final construction payments are forecast to occur in 2030-31, primarily due to final milestone payments and commissioning costs.

6 For further detailed information on our 'early works' support activities, please refer to MLPL's Revenue Proposal – Part A (Early works). Revenue Proposal - Part A (Early Works)

- Chapter 3 explains our forecasting methodology.
- Chapters 4 to 13 explain our forecast expenditure in relation to each support activity, being:
  - Landholder and community engagement programs, including Traditional Owners, and stakeholder relations (Landholder and community engagement);
  - Land and easement acquisition;
  - Environmental impact assessment;
  - Technical designs and specifications;
  - Procurement strategy and execution;
  - Biodiversity costs;
  - Program and project management;
  - Corporate costs and support; and
  - Insurance.
- Chapter 14 provides a summary explanation as to why our support activities expenditure during the construction phase is prudent and efficient in accordance with the Rules requirements. In presenting this information, we have had regard to the Rules requirements, including the capital expenditure objectives.

Unless otherwise stated, the financial data presented in this document is expressed in $real 2023 terms. Numbers in tables may not sum exactly due to rounding.

2 Forecast expenditure

2.1 Summary of forecast expenditure

Table 2 shows the forecast information for MLPL's support activities for the construction phase of the project, excluding project commissioning, which is expected to occur during 2030-31, i.e., during the second regulatory period. The support activities for our construction activities are assumed to commence on 1 July 2025, i.e., shortly after MLPL makes its FID regarding project construction.

Table 2: Forecast expenditure for support activities ($m real 2023)

	2025-26	2026-27	2027-28	2028-29	2029-30	Total
Landholder and community engagement*	[redacted]					
Land and easement acquisition*	[redacted]					
Environmental impact assessments*	[redacted]					
Technical designs and specifications*	[redacted]					
Procurement strategy and execution*	[redacted]					
Biodiversity*	[redacted]					
Program and project management*	[redacted]					
Corporate costs and support*	[redacted]					
Insurance*	[redacted]					
Total expenditure*	[redacted]					

* This cost information is commercially sensitive and has been redacted for the purposes of this Revenue Proposal.

The forecast expenditure for MLPL's support activities may be updated in MLPL's revised Revenue Proposal if the scope changes following the completion of the Balance of Works competitive tender and negotiation process. Any changes will be fully explained and justified in MLPL's revised Revenue Proposal, which is expected to be submitted in July 2025.

3 Forecasting methodology

3.1 Standardised approach and presentation

Our support activities cover a diverse scope of work, ranging from landholder and community engagement programs through to biodiversity costs, insurance and program and project management. While these activities differ markedly in relation to scope, where possible, we have adopted a standardised approach to presenting and explaining our expenditure for each activity, which is described below.

- **Objectives and scope of work**

The starting point for each support activity is to establish the objectives, noting that these objectives must reflect the overarching goal of enabling the project to be delivered prudently and efficiently, in accordance with the project schedule. We also provide a high level description of the scope of work that is required to achieve these objectives.

- **Description of activities and resource requirements**

For each category, we describe the key activities and resources that are required in order to achieve the stated objectives. In providing this information, our focus is on establishing the prudency and efficiency of our forecast expenditure. In broad terms, we explain why the activities are appropriately scoped; the balance between internal and external resources; and any key milestones having regard to the outcomes that must be achieved.

- **Expenditure requirements**

For each support activity, MLPL has developed a resourcing plan which details the in-house labour requirements for each year of the regulatory period and the appropriate salaries. In this attachment, we present the following information that provides a breakdown of the expenditure requirements:

  - Labour costs for internal staff reflect the required allocation of full time equivalents (**FTEs**) based on the relevant scope for that support activity, as explained in section 3.2 below.

  - Where available, the costs of outsourced services reflect quotations from specialist service providers based on agreed scopes of work. Where this information is not available, estimates are based on historical actuals, estimates from MLPL's subject matter experts and/or indicative quotations from service providers.

  - Materials costs and other payments are based on quotations or estimates from specialist service providers or MLPL's subject matter experts.

- **Benchmarking and external verification**

Where available, cost estimates for each expenditure category will be informed by benchmarking with other projects, including information from other TNSPs, or other external verification. As a general observation, MLPL notes that the bespoke nature of Marinus Link makes it challenging to establish credible benchmarks to establish the efficient costs to deliver the project. At a high level, MLPL notes that its support activities compare favourably with those for HumeLink, for example, where the AER accepted Transgrid's costs of $608.9 million.[7] It is evident, however, that the scope of the projects and the associated costs are materially different[8], which makes such comparisons of questionable value.

Given the limitations of benchmarking, MLPL has relied on independent expert reviews, including reviews commissioned by MLPL's Board to provide a top down discipline on management's bottom up forecasting approach. Our forecasts have also been subject to an independent review by Aurecon, who have had access to additional background material and MLPL's subject matter experts, in addition to applying their own expertise and benchmarks, where appropriate, to assess the prudency and efficiency of our proposed expenditure.

Aurecon's overall conclusions on the reasonableness of our forecast expenditure for support activities is reproduced below:[9]

- In Aurecon's view, MLPL's proposed expenditure and scope for support activities (exclude sustainability initiatives, insurance and hedging which were not assessed) is likely to be reasonable.

- Aurecon is satisfied that the scope of the activities reviewed, which includes land and easement acquisition, landowner and stakeholder engagement, environmental impact assessments, procurement, program management, technical studies, and broader corporate costs are well defined and necessary.

- The costs associated with these supporting works are based on varying approaches, including bottom-up labour estimates, judgements from MLPL's experience, input from external advisors, historical costs and quotes from the market.

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7 AER determination, Transgrid's HumeLink Stage 2 Delivery Contingent Project Application, 2 August 2025, Table 8, page 25, shows labour costs of $411.6m and easement and land acquisition costs of $197.3m, expressed in 2022-23 prices.

8 For example, as a single project TNSP, MLPL's costs include its full corporate function whereas Transgrid's costs for HumeLink do not. By the same token, land easement costs are unlikely to be comparable as the scope and location of the projects are vastly different from one another.

9 Aurecon, Marinus Link Stage 1B Revenue Proposal, Cost Independent Verification and Review of Expenditure Forecasting Methodology, November 2024, Executive summary, page 11.

- MLPL has a higher FTE headcount compared to peer projects such as HumeLink, but this is likely a function of several corporate/administrative staff at peers being spread across multiple projects (lower FTE allocation or being treated as indirect costs), or due to differences in delivery structure. This point is quite important, as it makes benchmarking support activities of MLPL relative to peer projects or TNSPs challenging on a like for like basis. This is somewhat expected for a single project TNSP.

- In some areas, Aurecon was not able to fully assess the reasonableness of costs (e.g external legal support), or did not review their basis in detail due to limited materiality.

For each support activity, we refer to Aurecon's findings and their full report is provided as Attachment 9.

3.2 Internal labour costs

Our forecast expenditure for internal labour costs is based on a bottom-up build using:

- the required internal FTEs for each role type to meet the project schedule;
- the appropriate labour rates for each role, plus superannuation and oncosts (payroll tax, workers compensation insurance and long service leave); and
- applying the labour escalation rates forecast by Oxford Economics, as explained in Attachment 8.

This methodology is consistent with our approach in our Revenue Proposal – Part A (Early works). The details of our labour requirements for each support activity is explained in sections 4 to 11.

Aurecon's review of our expenditure forecasts included our labour rates, having regard to

- PageGroup salary guide 2023 to 2024;
- Hays salary guide 2023 to 2024; and
- Aurecon's benchmarking of salaries based on market research and internal rates.

Aurecon found that MLPL's annual salaries are in line with the market benchmarked rates, noting that more than 70% of the sampled roles are either within range, near the average, or between 25th and 75th range of salaries of equivalent positions. Aurecon noted that about one-tenth of the sample roles are higher than the market ranges, notably on the project or corporate support roles. Conversely, about 20% of the sample roles are lower than the market rates.

Aurecon also explained that MLPL may require more specialised or niche capabilities, which may push the salaries away from the typical market rates. More generally, Aurecon explained that any benchmarking of

wages is imperfect as role descriptions can vary across organisations, and at times, Tasmanian rates may be different. In summary, Aurecon supported the labour rates adopted in our forecasts as being prudent and efficient.

3.3 Administrative costs

In our Revenue Proposal – Part A (Early Works), we adopted a standard methodology for determining an administrative cost allowance for each support activity, which was based on an amount per headcount role to cover general expenses, training, travel and memberships and subscriptions. In this Revenue Proposal, however, we have decided to include administrative costs as part of our corporate costs, rather than attribute an amount for each support activity.

4 Landholder and community engagement

4.1 Key objectives and scope

Table 3 below summarises the objectives for the landholder and community engagement support activity and describes the scope of work that is required to achieve these objectives.

Table 3: Landholder and community engagement objectives and scope of work

Objectives	Scope of work
• To build and maintain community support for the project. This work is essential to ensure that stakeholders understand the value that Project Marinus will deliver and support its timely delivery. • To ensure that the project meets the needs of consumers and other stakeholders, including through an appropriately designed Community Benefit Sharing Program. • To ensure the project meets the requirements of Governments, regulators and AEMO.	• Continue to engage with affected landholders and community stakeholders, including Traditional Owners, to understand and address their concerns during the project's construction phase. • Develop an appropriately designed Community Benefits Sharing Program to ensure an ongoing and sustainable positive legacy for communities in Victoria and Tasmania. • Work with Governments, regulators and AEMO to ensure that regulatory requirements continue to be understood and addressed.

While our engagement activities are much broader in scope than our engagement with the CAP, this does not diminish the importance of the CAP to the project or the development of this Revenue Proposal. For a detailed explanation of our engagement with the CAP, please refer to Chapter 2 of our Revenue Proposal.

4.2 Summary of key activities

Our strongly held view is that effective engagement will build social license for the project and facilitate the delivery of the project with the broad support of the community. Given the size and scale of Marinus Link, deep, genuine, accessible and ongoing engagement with the community, Traditional Owners and other stakeholders is critical to ensure that landholders and the community:

- understand the need for and drivers of the project;
- understand the expected benefits of the project; and
- have appropriate channels to provide their feedback and discuss the project and their concerns.

In addition to this effective engagement, MLPL wants to ensure that Marinus Link is delivered in a sustainable manner so that the impact on the environment and communities is minimised to the greatest extent possible. The establishment of a Sustainability Framework therefore provides an important component to our engagement approach as it explains how MLPL intends to address the broader outcomes that are important to our stakeholders and communities.

In the remainder of this section, we discuss the following elements of the landholder and community engagement support activity which are essential to the successful delivery of the project:

- MLPL's engagement groups;
- Sustainability Framework;
- Community Benefit Sharing Program; and
- Infrastructure Sustainability Ratings.

4.2.1 MLPL's engagement groups

As explained in our Revenue Proposal – Part A (Early works), landholder and community engagement is complex, dynamic and fundamental for a project with the scale and potential of Marinus Link. Our approach involves multiple teams each with their own specific objectives, while contributing to the overarching objectives described above.

The table below provides an overview of our engagement groups, the rationale for engaging and the different delivery teams within Marinus Link that are primarily responsible for each engagement activity. These engagement groups were developed during the early works phase of the project and will continue, albeit with different levels of intensity and focus, during the construction phase.

Table 4: Overview of our engagement groups, rationale and delivery teams

Key engagement areas/groups	Rationale for engagement	Delivery team/s
Local stakeholders and community	MLPL engages with local stakeholders and the community to establish relationships, build understanding of and advocacy for the project, and to identify issues and opportunities to promote its successful.	Whole of project
Landholders	MLPL engages with landholders to establish relationships, agree access arrangements, and address issues that may otherwise adversely affect the construction phase of the project.	External Affairs and Project Delivery

Key engagement areas/groups	Rationale for engagement	Delivery team/s
Traditional Owners	MLPL engages with Traditional Owners in both Tasmania and Victoria on various aspects of the project, including, but not limited to its Sustainability Framework, Participation Plan and cultural heritage requirements.	External Affairs and Project Delivery
Gippsland Stakeholder Liaison Group (GSLG)	MLPL engages with the GSLG as a forum for regular face-to-face communication and engagement between MLPL and key local stakeholders in the Gippsland region.	External Affairs
Sustainability Framework and community benefits	MLPL engages with key and local stakeholders around the development of an organisational Sustainability Framework, and Community Benefits Sharing Program.	External Affairs
Environmental and Land Use approvals and compliance	MLPL engages with key Commonwealth, State and Local stakeholders including the community, landholders, traditional owners, key industry bodies, the Technical Reference Group, regulators and other authorities to address any environment and planning approval and compliance issues.	External Affairs and Project Delivery
Government and regulators	MLPL engages with governments and regulators across relevant jurisdictions to discuss regulatory issues, policy settings, and planning and environmental approvals.	Executive, External Affairs, Customer & Revenue, Finance & Commercial, Project Delivery, and Legal and Governance
Governance	MLPL engages with internal and external stakeholders for governance, decision-making and strategic purposes, to ensure the project is delivered in a coordinated and efficient manner.	MLPL Board, TasNetworks, and Hydro Tasmania.
Social Impact Assessment	MLPL engages with stakeholders, communities and groups across the project footprint, to explore stakeholder perceptions regarding the potential issues, concerns, and impacts and identify ways to reduce impacts and enhance the project's social and economic benefits.	External Affairs and Project Delivery
Energy sector	MLPL engages with the energy sector (including market bodies, system planners, industry participants and analysts) around the ISP, market rules, revenue and price setting, policy directions and requirements, trends, and economics and technical aspects of network connection.	Executive, External Affairs, Customer & Revenue,

Key engagement areas/groups	Rationale for engagement	Delivery team/s
		and Project Delivery
Future workforce	MLPL engages with students, education providers, skills providers, industry and employment organisations to generate awareness of the project and connect with interested future workers to upskill prior to delivery, addressing potential skills shortages and meeting Australian Industry Participation requirements.	People Team, External Affairs and Project Delivery
Consumers	MLPL engages with consumers to ensure that their needs are considered in the project and reflected in our Revenue Proposal – Part B (Construction costs).	Customer & Revenue and External Affairs

It is evident from the diverse range of stakeholders that effective engagement is a highly specialised task that requires a mix of highly skilled internal staff members with support from a range of external experts.

The internal MLPL team will oversee the direct engagement with the community, Traditional Owners and other stakeholders which will be undertaken through a variety of different channels including 'hands-on' workshops, online forums, newsletters, open and face-to face meetings, site tours, notices, and working with local schools and colleges (i.e., student discussions, site visits and work experience opportunities). A dedicated website will also be established to provide project information and regular updates. A community exhibition will also be held to demonstrate the 'big' picture project.

External support will be provided where specialist expertise is needed either to engage effectively on specific issues or to facilitate our interactions with stakeholders. During the early works phase, we developed significant experience in combining internal and external resources to ensure that effective engagement is achieved while maintaining a focus on cost efficiency. A similar approach is planned for the construction phase of the project.

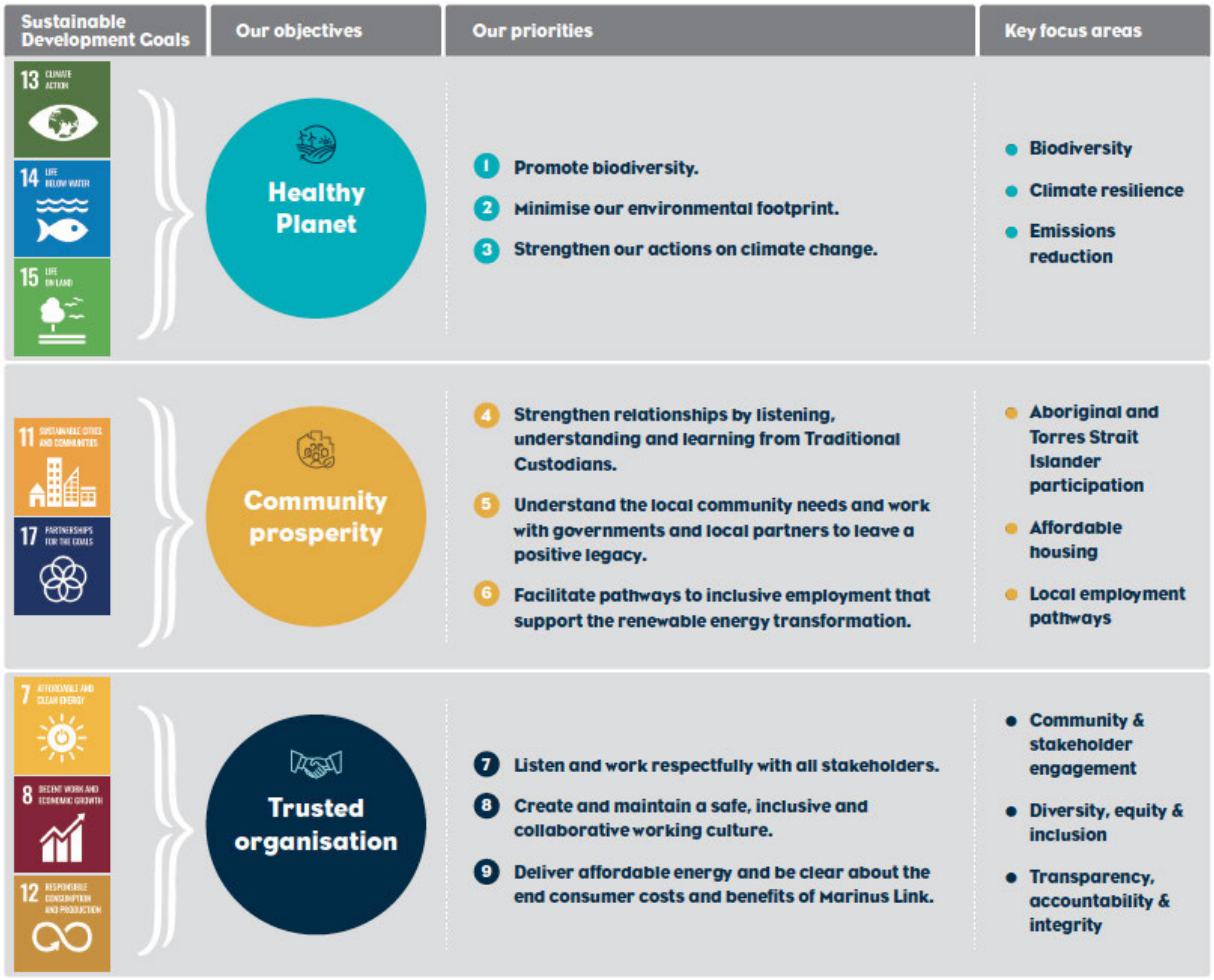
4.2.2 Sustainability Framework

Our Sustainability Framework is an important element in our landholder and community engagement work because it guides us on how we plan and build the project to make sure that we leave a positive legacy. Through the Sustainability Framework, our objectives are:

- Keeping our planet healthy;
- Contributing to prosperous communities; and
- Being a trusted organisation.

MLPL's Sustainability Framework is presented in the figure below.

Figure 2: Marinus Link's Sustainability Framework



The role of our construction contractors provides a practical example of how MLPL's Sustainability Framework will promote improved project outcomes.

The activities to be carried out by the construction contractors are expected to affect various communities and landholders along the line of route through noise and vibration, dust, mud as well as local road and access congestion. It is therefore important for the construction contractors to operate in accordance with MLPL's Sustainability Framework. This means, for example, promoting local employment and affordable housing, and driving better outcomes through reporting requirements that enhance transparency, accountability and integrity.

The Sustainability Framework will therefore play an important role in the landholder and community engagement during the construction phase of the project, in addition to enhancing the project outcomes in terms of sustainability. The direct costs of developing the framework have been met during the early works phase of the project. However, an internal resource is required during the construction phase to ensure that

the sustainability framework is actioned across the project for the benefit of our customers, stakeholders and communities.

4.2.3 Community Benefits Sharing Program

A further important initiative to develop meaningful partnerships with communities and the business sector throughout the development of the project is the establishment of a Community Benefits Sharing Program. The purpose of the scheme is to ensure that communities that are directly affected by the construction of the project share in the benefits that it provides. MLPL has been working with stakeholders in Tasmania and Victoria to co-design a Community Benefits Sharing Program.

In terms of the successful delivery of the project, an appropriately resourced and executed Community Benefits Sharing Program is expected to provide the following benefits:

- Building trust and ambassadorship;
- Creating a sense of pride and ownership;
- Tailoring to local circumstances, culture and needs, helping address inequality;
- Recognising the impacts of the transition to renewable energy;
- Ability to 'open conversations' with new stakeholders and communities;
- Enable MLPL to effectively partner with the community to address matters that improve outcomes; and
- Assist MLPL to connect with the community to manage potential risks as a result of the project, including workforce accommodation and environmental impacts.

In developing MLPL's approach to the Community Benefits Sharing Program, we engaged with the following stakeholders and local community groups, including:

- North West Tasmanian stakeholders, including Burnie City Council;
- Gippsland stakeholders, including the Gippsland Stakeholder Liaison Group, the Latrobe City Council and South Gippsland Shire Council;
- AER, including reference to the Directions Paper 'Social licence for electricity transmission projects';
- Traditional Owner groups; and
- Consumer Advisory Panel.

In this Revenue Proposal, we are proposing total expenditure of $15.3 million for Marinus Link's Community Benefits Sharing Program, of which $3.1 million has been allocated to Tasmania and $12.2 million to Victoria. The total expenditure equates to less than 0.5% of the estimated project costs, which we consider to be a reasonable level of expenditure to support local communities. The allocation between Victoria and Tasmania reflects the project's expected impact in terms of route length and the construction of converter stations in each State.

Tasmania's allocation is recommended to be administered by TasNetworks, adding to TasNetworks' adopted allocation of $10 million in relation to North West Transmission Developments (**NWTD**). In Victoria, a People's Panel would be established to develop the program's framework. The program will be implemented during the construction phase over a five-year period, which is broadly aligned with the first regulatory period. The estimated cost of the scheme is included in the landholder and community support activity.

4.2.4 Infrastructure Sustainability Council Rating

The Infrastructure Sustainability Council (**ISC**) is a member-based, not-for-profit peak body operating in Australia and New Zealand with the purpose of enabling sustainability outcomes in infrastructure. The ISC has developed a rating scheme to evaluate economic, social and environmental performance of infrastructure. It is a voluntary scheme for the energy sector, although it is mandated in most states for Transport infrastructure projects, depending on capital value.

A cost benefit assessment has indicated that the adoption of an ISC rating is expected to produce a benefit which is conservatively expected to be between $1.60 and $2.40 for every dollar spend. The source of benefits are expected to include:

- Protection of natural environment values including air quality, water quality and biodiversity;
- More accessible and safe spaces for community – improved amenity;
- Respect for rights and cultural needs of indigenous and ethnically diverse community members;
- Equitable access to essential services and social infrastructure; and
- Development of human and social capital to support long-term economic growth and productivity.

MLPL discussed the ISC rating with the CAP to determine whether MLPL should adopt a target rating for Marinus Link. In discussions with the CAP, MLPL proposed that it would:

- Adopt a 'program' rating, with overall registration held by MLPL. Under this approach, each contractor will be required to undertake a separate rating for their work package(s), which will contribute to MLPL's overall program rating score; and

- Target a Silver rating for ‘design’ and ‘as built’ components of the project.

In response to information presented, the CAP recommended that MLPL adopts the Silver rating with the option to upgrade to Gold rating if achievable. In light of this feedback, MLPL intends to target a Silver rating for design and construction, in accordance with the Infrastructure Sustainability Rating Scheme. The costs of administering the rating scheme is included in the landholder and community support activities.

4.3 Resource requirements

The table below shows our proposed forecast expenditure for the landholder and community engagement support activities. The ‘materials and other payments’ category is the largest component, noting that it includes the costs of the Community Benefit Sharing Program and the IRC rating fees.

Table 5: Landholder and community engagement expenditure ($m real 2023)

	2025-26	2026-27	2027-28	2028-29	2029-30	Total
Internal labour costs	[redacted]					
Service provider costs						
Materials costs and other payments						
Total expenditure						

The following table provides further information on the composition of internal labour resources for the landholder and community engagement support activity. As already noted, the scope of these activities includes a diverse range of engagement groups, in addition to implementation of schemes and frameworks that are central to the successful delivery of the project for the benefit of our consumers, stakeholders and communities. The internal labour forecasts reflect these resourcing needs during the construction phase of the project.

Table 6: Landholder and community engagement internal labour requirements (FTEs)

	2025-26	2026-27	2027-28	2028-29	2029-30
Community Engagement Manager	1.0	1.0	1.0	1.0	1.0
Traditional Owner Engagement / Cultural Heritage Officer	1.0	1.0	1.0	1.0	1.0
Industrial Relations Adviser	1.0	1.0	1.0	1.0	1.0

	2025-26	2026-27	2027-28	2028-29	2029-30
Community Relations	2.0	2.0	2.0	2.0	2.0
Total FTEs	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**

Our view is that our proposed expenditure for landholder and community engagement support activities is prudent and efficient because:

- We will continue to engage with our key stakeholder groups during the construction phase of the project to build and maintain social license for the project and resolve issues as they arise. However, our proposed level of internal resources is very substantially reduced (by approximately two-thirds) from the level incurred during the early works phase.
- The principal component of the proposed expenditure relates to the Community Benefit Sharing Program and the IRC rating. Both of these elements are supported by the CAP and other stakeholders, and MLPL considers that the proposed expenditure appropriately balances the costs and benefits.
- We plan to engage experts to ensure that our engagement is effective in understanding and actioning particular stakeholder concerns, recognising the complexities that arise from Marinus Link, which are significant from a Commonwealth and State perspective. Our targeted engagement of external experts on an 'as needs' basis will ensure that consumers benefit from cost-effective engagement.

In addition to the above observations, we note that the following points made by Aurecon that support the prudency and efficiency of our proposed expenditure for the landholder and community engagement activities:[10]

- Landowner and Community engagement is a core part of MLPL's delivery strategy to ensure that the project is capable of meeting the needs of the NEM whilst balancing community interests wherever possible.
- It is important to note that the breadth of MLPL's community engagement spans: Local stakeholders, Landholders, Traditional Owners, Gippsland Stakeholder Liaison Group, Key Commonwealth, State and local councils with respect to land use and environmental approvals/compliance, energy market.
- The proposed FTE positions are aligned with other major transmission infrastructure projects, and major infrastructure projects more generally. Aurecon also noted that the roles specified are consistent with the engagement needs (noting there may be some changes as the project progress).

[10] Aurecon, Marinus Link Stage 1B Revenue Proposal, Cost Independent Verification and Review of Expenditure Forecasting Methodology, November 2024, Section 6.2.1, Table 6-3.

- The materials and other expenses are likely necessary to obtain the desired outreach and increase engagement with MLPL's programs.

5 Land and easement acquisition

5.1 Key objectives and scope

The table below summarises the objectives for the land and easement acquisition support activity and describes the scope of work that is required to achieve these objectives.

Table 7: Land and easement acquisition objectives and scope of work

Objectives	Scope of work
• To ensure that land access is obtained in accordance with the easement agreements. • To resolve access issues to avoid delays to the project schedule and the associated cost impacts.	• Manage the land access agreements, including payments to landholders. • Liaise with landholders and contractors to ensure access requirements are communicated appropriately. • Take action to resolve potential access disputes and provide updated guidance to contractors.

The land and easement acquisition support activities will transition from the establishment of access rights during the early works phase to the execution and management of those agreements during the construction phase. As the nature of this support activity changes, so does its interface with other elements of the project, most notably the landholder and community engagement and environmental impact assessments support activities. Nevertheless, the effective management of land access has a key role to play in the success of the project. These matters are discussed in further detail in the next section.

5.2 Summary of key activities

In our Revenue Proposal – Part A (Early works), we explained that the successful delivery of the project depends on securing access to land, both for planning and construction purposes:

- In relation to planning, land access is necessary to conduct field surveys and investigations, including geotechnical surveys, and ecology, cultural heritage and environmental studies. This work is essential in order to optimise the route design; address the planning approvals requirements; and determine the preferred construction methods.

- For the construction phase, securing Easement Option Agreements reduces the risk of project delay and assists in managing the total costs of land and easement acquisition. Strategic land acquisition of key project sites also plays an important role in reducing the total project costs and avoiding project delays.

Our approach during the early works phase of the project recognised the need to be flexible in our negotiations with landholders with a view to securing an appropriate number of option agreements having regard to the value they provide in terms of avoiding project delay and improving our understanding of the total project costs. This approach ensures that our expenditure provides value for money from the perspective of electricity consumers. As a consequence, MLPL explained in its Revenue Proposal – Part A (Early works) that it did not intend to obtain 100% of the required land and easement acquisition in its early works phase, with the remaining access to be secured during the construction phase.

MLPL developed a set of principles to guide our negotiations with both private and public landholders for land access and easement rights in relation to approximately 430 properties on corridors identified in Victoria and Tasmania. An execution plan was also developed, which has five stages including the negotiations, calculations, and associated payments:

1. Land access negotiations and payments (for surveys);
2. Easement compensation calculation;
3. Easement right option agreement and option payment;
4. Exercise of easement option; and
5. Asset installation, easement registration and payment of easement compensation.

Our early works activities only addressed stages 1 to 3, with stages 4 and 5 occurring during the construction phase. As noted above, however, a portion of the required land access will be negotiated during the construction phase, rather than early works.

On signing of the easement option agreement an option fee would be payable (stage 3). The option fee is up to 10% of the total easement compensation payable to the landholders. This option fee is not refundable in the event that the option is not exercised but if the option is exercised it would be deducted from the total amount of compensation payable. Following a decision to commence with construction, the easement option would be exercised in accordance with stage 4. At that time, MLPL would pay the balance of the easement compensation to the landholders.

During the early works phase of the project, land and easement acquisition played a central role in building relationships with landholders and securing land access to obtain environmental approvals. The linkages between these support activities will change during the construction phase of the project, although the land and easement acquisition will continue to be an important factor in the successful management of the project. In particular:

- The effective management of the land access agreements and the avoidance of disputes will enable MLPL to maintain social license, which is a key driver of the landholder and community engagement support activity.

- On-going land access will be required to ensure compliance and undertake reporting in accordance with the environmental approvals.

Given the on-going importance of land and easement acquisition, it is essential that MLPL has sufficient resources to ensure that this support activity is managed effectively.

5.3 Resource requirements

The table below shows our proposed forecast expenditure for the land and easement acquisition support activities. The 'materials costs and other payments' predominantly relate to the land access payments that become payable when the project proceeds to the construction phase. These payments also relate to temporary occupancy and disturbance during project construction, which is approximately 20% of the total compensation amount. The compensation payment amounts reflect expert advice received from property valuation experts, Acumentis, having payment made to benchmark land value reductions; the requirements of the Victorian Land Acquisition and Compensation Act 1986; outcomes from legal proceedings and market research.

The majority of the compensation payments commence at the start of the regulatory period when the easement options acquired during the early works phase are exercised. MLPL expects to make further easement compensation payments of approximately $6 million in 2030-31, i.e., in the next regulatory period. This payment relates to access rights that are expected to be secured, but not exercised, during the regulatory period and temporary occupancy and disturbance compensation. We are maintaining a small internal team of 1 FTE to negotiate the remaining land access requirements and manage issues relating to the compensation payments.

Table 8: Land and easement acquisition expenditure ($m real 2023)

	2025-26	2026-27	2027-28	2028-29	2029-30	Total
Internal labour costs*	[redacted]					
Service provider costs*						
Materials costs and other payments*						
Total expenditure*						

* This cost information is commercially sensitive and has been redacted for the purposes of this Revenue Proposal.

The following table sets out our internal labour resources for the land and easement acquisition activity, which is expected to be constant during the construction period.

Table 9: Land and easement acquisition internal labour requirements (FTEs)

	2025-26	2026-27	2027-28	2028-29	2029-30
Landowner Relations Officer	2.0	2.0	2.0	2.0	2.0
Total FTEs	**2.0**	**2.0**	**2.0**	**2.0**	**2.0**

Our view is that our proposed expenditure for land and easement acquisition support activities is prudent and efficient because:

- It reflects a reasonable forecast of the land easement compensation payments, in accordance with expert advice provided by Acumentis.
- MLPL is seeking to maintain 2 FTEs during the regulatory period, which is a modest level of internal resources given the large number of landowner access agreements to be managed and the remaining agreements to be negotiated; and
- MLPL has not allowed for any external support in relation to this function, beyond the professional fees included in the compensation payments. We consider that this assumption is likely to understate MLPL's actual requirements, although our forecast is a reasonable stretch target.

In addition to the above observations, we note that the following points made by Aurecon that support the prudency and efficiency of our proposed expenditure for the land and easement acquisition activities:[11]

- The landowner relations officers are necessary for MLPL to ensure adequate engagement with landowners where easements are required.
- The compensation calculations account for State land valuation and acquisition policies, the market value of land, economic losses, and include allowances for professional expenses.
- Stage 4 of the land and easement activities secures the legal rights to use (or access) the required land, allowing the project to transition smoothly from planning to execution.
- Stage 5 is essential for the physical installation of transmission infrastructure, formalizing the easement through registration, and ensuring fair compensation to landowners. Together, these stages provide the legal, operational, and financial foundation necessary for the project's completion and long-term viability.

[11] Aurecon, Marinus Link Stage 1B Revenue Proposal, Cost Independent Verification and Review of Expenditure Forecasting Methodology, November 2024, Section 6.2.2, Table 6-4.

- In Aurecon's view, the activities involved in Stages 4 & 5 are prudent and necessary for the timely development of the project.

6 Environmental Impact Assessment

6.1 Key objectives and scope

As explained in section 1.2, rather than renaming the 'early works' categories to better reflect the scope of the support activities during the construction phase, we have retained the naming conventions. We have adopted this approach so that stakeholders better understand the changes from the early works to the construction phase of the project.

For environmental impact assessment, the early works phase was focused on conducting field surveys, technical reports and impact assessment documentation to obtain planning and environmental approvals. For the construction phase, the focus turns to ensuring that we achieve compliance with these obligations. In this regard, the scope of the 'environmental impact assessment' support activities will change markedly in the construction phase of the project. The table below summarises the objectives of the environmental impact assessment support activities and describes the activities that are required to achieve these objectives.

Table 10: Environmental impact assessment objectives and activities

Objectives	Activities
• Ensure that MLPL and its contractors comply with the planning and environmental approvals. • Ensure that MLPL complies with the reporting requirements for each of the relevant planning authorities. • Avoid any project delays that could result from planning and environmental issues relating to the project.	• Provide guidance to our contractors regarding MLPL's planning and environmental obligations in accordance with the relevant Commonwealth and State regulations. • Engage with contractors to ensure that reporting requirements are understood and actioned in accordance with MLPL's obligations. • Implement processes and procedures to identify and resolve non-compliance issues as soon as practicable. • Liaise with Commonwealth and State planning and environmental authorities as required to clarify obligations and compliance issues.

6.2 Summary of key activities

Marinus Link spans Commonwealth (Bass Strait), Victorian and Tasmanian jurisdictions and, therefore, is subject to planning and environmental assessments in accordance with the following Commonwealth, State and Local environment and planning legislation:

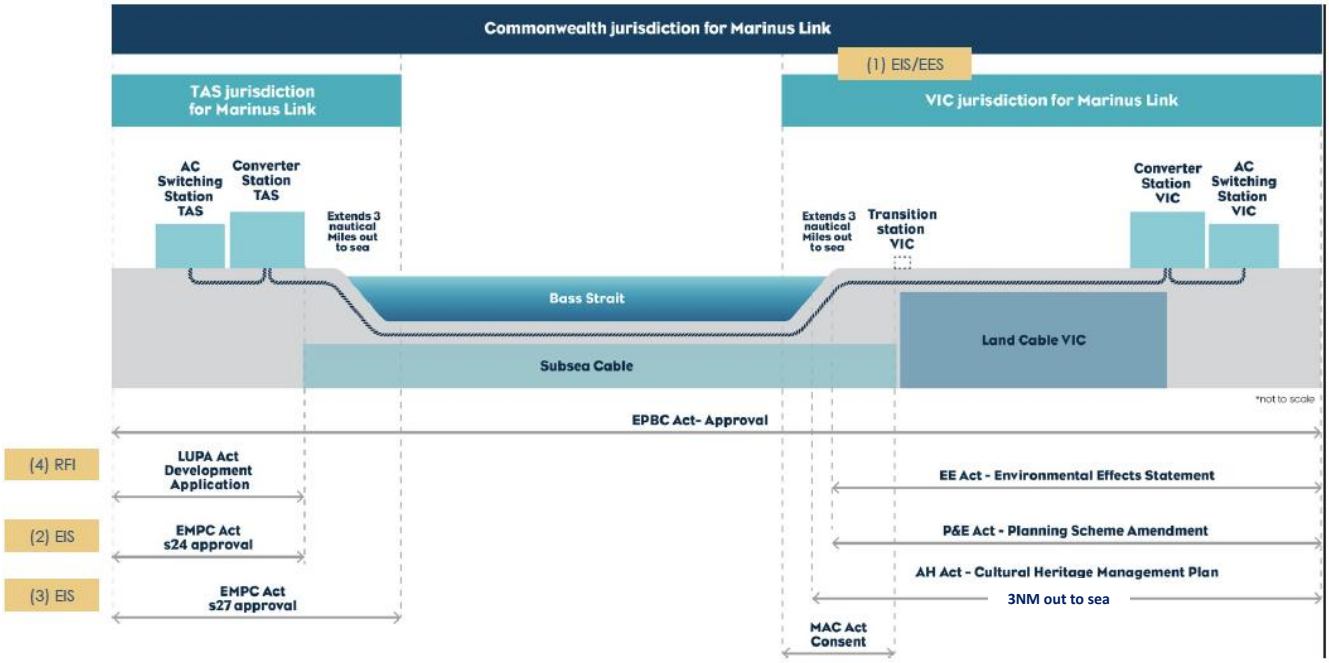
- Commonwealth Environment Protection and Biodiversity Conservation Act 1999 (**EPBC Act**);

- Tasmanian Environmental Management and Pollution Control Act 1994 (**EMPC Act**) and Land Use Planning and Approvals Act 1993 (**LUPA Act**); and

- Victorian Environment Effects Act 1978 (**EE Act**), Planning and Environment Act 1987 (**P&E Act**) and Aboriginal Heritage Act 2006 (**AH Act**)

The figure below shows how the key Commonwealth, Tasmanian and Victorian environment and planning approval requirements apply to Marinus Link.

Figure 3: Key environment and planning requirements applied to Marinus Link.



To address these requirements, MLPL has been working with environmental and planning experts to prepare:

- One Environmental Impact Statement (**EIS**) / Environmental Effects Statement (**EES**) to address Commonwealth and Victorian matters;

- One EIS, one Development Application (**DA**), and one Request for Information (**RFI**) for the Converter station in Tasmania;

- One EIS for the Shore crossing and cables in Tasmania;

- One Planning Scheme Amendment (**PSA**) in Victoria; and

- Two Cultural Heritage Management Plans (**CHMPs**) in Victoria.

To provide an indication of the extent of the work required to achieve environmental and planning approval for Marinus Link, stage 3 of the EIS process requires the completion of 23 technical reports to identify the potential

environmental impact of the project and proposed mitigation measures. The technical reports require a mix of desktop studies and field surveys conducted by specialists in each field.

During the construction phase of the project, our focus will change from obtaining planning and environmental approvals to ensuring that we meet our obligations. This means working with our contractors to ensure that those obligations are fully understood and reflected in their plans and work practices. Similar to the approval phase, the compliance landscape is complex because environmental responsibilities and obligations apply at the Commonwealth, State and local government levels through the following agencies:

- **Commonwealth** - The National Environment Protection Council (**NEPC**) is responsible for delivering on Australia's obligations under international environmental protection agreements. It achieves this through National Environment Protection Measures (**NEPMs**). NEPMs have been developed to protect and manage elements of the environment, like air and water quality, noise standards, hazardous waste, materials re-use and recycling, and site contamination.

- **Victoria and Tasmania** - Victoria and Tasmania each have an independent Environmental Protection Agency (**EPA**) which serves a jurisdictional role in implementing the NEPMs. Each EPA also has legislative powers to minimise the risk of pollution and waste by investigating possible breaches, and preparing guidelines to help businesses manage their environmental impact. Other regulations, including planning, waste management and water management, often include other regulatory authorities which may include local water authorities or designated planning authorities.

- **Local government** - Decision-making powers are often delegated to local government in areas like planning, water management, vegetation and weed control, waste management, plus air and noise quality.

As part of the compliance process, MLPL must undertake compliance reporting in accordance with our obligations. It is essential, therefore, to ensure that MLPL works closely with our contractors to ensure that these reporting obligations are understood and factored into their work practices.

While MLPL will be making every effort to ensure that we meet our compliance obligations, it is important that we are responsive in cases where there is a breach. MLPL will therefore establish processes with our contractors to ensure that breaches are identified and rectified as quickly as possible.

6.3 Resource requirements

The table below shows our proposed forecast expenditure for the environmental impact assessment support activities. At this stage, MLPL has not included any costs for specialist service providers, which reflects the focus on compliance during the construction phase. In practice, MLPL notes that expert advice may be required in the event of a non-compliance issue that requires rectification and/or an independent report to one or more environmental agencies. Furthermore, our forecasts assume that the process and procedures for engaging

with our contractors and the environmental agencies can be developed with minimal external support. In preparing our revised Revenue Proposal, MLPL may reconsider whether it would be prudent to include an allowance for additional specialist support.

Table 11: Environmental impact assessment expenditure ($m real 2023)

	2025-26	2026-27	2027-28	2028-29	2029-30	Total
Internal labour costs	[redacted]					
Service provider costs						
Materials costs and other payments						
Total expenditure						

The following table provides further information on the composition of internal labour resources for the environmental impact assessment support activity. The internal labour forecasts reflect these resourcing needs during the construction phase of the project.

Table 12: Environmental impact assessment internal labour requirements (FTEs)

	2025-26	2026-27	2027-28	2028-29	2029-30
Environment and Sustainability Manager	1.0	1.0	1.0	1.0	1.0
Manager Environment and Planning	1.0	1.0	1.0	1.0	1.0
Environmental Specialist and Auditor	2.0	2.0	2.0	2.0	2.0
Project Management and Coordination	1.0	1.0	1.0	1.0	1.0
Sustainability Manager	1.0	1.0	1.0	1.0	1.0
Sustainability Officer	2.0	2.0	2.0	2.0	2.0
Total FTEs	**8.0**	**8.0**	**8.0**	**8.0**	**8.0**

Our view is that our proposed expenditure for environmental impact assessment support activities is prudent and efficient because:

- It is essential that MLPL complies with its environmental obligations and works with its contractors to ensure that practices and procedures are in place to achieve compliance; undertake the required reporting; and identify and resolve any compliance breaches.

- Our forecast expenditure provides for a modest internal team, with minimal external support, which is substantially reduced compared to the 'early works' phase.

In addition to the above observations, we note that the following points made by Aurecon that support the prudency and efficiency of our proposed expenditure for the environmental impact assessment activities:[12]

- The FTE positions proposed by MLPL are likely to be consistent with those we have observed at peer TNSPs and required for major infrastructure projects.

- In the Project's construction phase, the scope of EIA supporting activities is to ensure MLPL can achieve compliance with relevant obligations. MLPL is working with its environmental advisors (such as Tetra Tech Coffey) to ensure that those obligations are fully understood and reflected in their plans and work practices.

- Given the complex compliance landscape, where environmental responsibilities and obligations apply at the Commonwealth, State and local government levels, we consider the scope of these supporting activities is necessary.

- MLPL's Explanatory Notes have articulated how it is required to prepare various Environmental Impact Assessments, Environmental Effects Statements, Development Applications, Planning Scheme Amendments, and Cultural Heritage Management Plans to meet its environmental compliance obligations.

- MLPL must ensure that its contractors are compliant with these plans across the construction period to ensure it is meeting its commitments at the Commonwealth, State and local government level.

[12] Aurecon, Marinus Link Stage 1B Revenue Proposal, Cost Independent Verification and Review of Expenditure Forecasting Methodology, November 2024, Section 6.2.3, Table 6-5.

7 Technical designs and specifications

7.1 Key objectives and scope

The table below summarises the objectives of the technical designs and specifications support activities category and describes the activities that are required to achieve these objectives.

Table 13: Technical designs and specifications objectives and scope

Objectives	Scope
• To ensure that the project is commissioned on time in accordance with the agreed design specifications and achieves the planned transfer capability between Victoria and Tasmania. • To identify and resolve any technical and design issues at the earliest opportunity to minimise the risk of delay and the cost impact on consumers. • To ensure that MLPL achieves operational readiness by the planned commissioning date, so that the Marinus Link is operational at the earliest opportunity.	• To work with our contractors to ensure that acceptance testing is conducted in accordance with best practice, having regard to the specific challenges arising in relation to Marinus Link. • To conduct extensive system studies and liaise with AEMO to ensure that network performance and stability issues are identified and resolved at the earliest opportunity. • To work with our contractors to ensure that MLPL is ready to operate and maintain the facility through effective training and preparation of asset management plans.

During the early works phase, technical designs and specifications are essential in relation to the procurement strategy and execution. Specifically, technical designs and specifications must be detailed for work packages to facilitate:

- Tender specifications, preparation, support and evaluation; and
- Negotiation of contracts for the work packages.

While tenderers are able to submit responses that deviate from MLPL's technical specifications (as well as the terms and conditions), the success of the tender process depends on the preparation of comprehensive documentation that enables tenderers to submit compliant bids. During the early works phase, technical designs and specifications also have an important interface with land and easement acquisition and environmental impact assessments, as the project team works to optimise the project design and route selection.

The scope of the technical designs and specifications support activities changes materially during the construction phase of the project, with a focus on system modelling and acceptance testing to ensure that all equipment and software will operate as intended. While our contractors will have principal responsibility for the successful commissioning of the project, MLPL will need to ensure that it has sufficient internal resources to assess and resolve technical issues as they arise. System studies will be required to conduct an extensive analysis of the integration impact to ensure that system stability is maintained after connection.

7.2 Summary of key activities

During the construction phase of the project, the majority of MLPL's focus will be working with our contractors to ensure the successful commissioning of the project. The nature of the project is such that extensive work is required to ensure that the project will operate as intended and achieve the transfer capability between the Victorian and Tasmanian regions.

It is not expected that project commissioning will be completed until late 2030, i.e., during the second regulatory period. For a project as complex as Marinus Link, however, the commissioning process will commence during the 2025-2030 regulatory period. In particular, factory acceptance testing is an important step in the commissioning process as it ensures that all equipment is designed in accordance with the agreed specification before leaving the factory. All control and protection software will also be subject to factory testing. Factory acceptance testing recognises that it is easier and cheaper to resolve issues at this stage, rather than identifying these issues during on-site testing.

To ensure the successful and timely completion of on-site commissioning, extensive planning is required to manage the sequencing of testing and handover of equipment. As noted earlier, the responsibility for planning and sequencing on-site testing will fall principally to MLPL's contractors. Nevertheless, it is essential that MLPL has sufficient internal expertise to review the testing and commissioning plans, identify and resolve issues and confirm site acceptance.

In addition to engaging with our contractors, MLPL will also need to liaise with AEMO to ensure that any system performance and stability issues are identified and resolved at an early stage. MLPL will also need to prepare for operational readiness, which requires a detailed understanding of the new systems and the development of asset management plans for the new facility.

7.3 Resource requirements

The table below shows our proposed forecast expenditure for the technical designs and specifications support activities. In scoping the work, MLPL is conscious of the need to balance in-house and external resources, so that MLPL has sufficient internal capability to provide advice on the appropriate course of action in response to issues arising from planning studies, compliance audits and acceptance testing. In addition to making the

appropriate decision on behalf of electricity customers, this internal capability will enable MLPL to take action to manage emerging risks to the project schedule.

In addition to ensuring that MLPL has appropriate internal expertise to address emerging technical issues, it is also important to recognise the specialist nature of some tasks that are more appropriately undertaken by external service providers. For example, power system studies and acceptance testing are best conducted by external service providers given the highly specialist nature of those tasks. MLPL also notes that engaging third parties to conduct this analysis provides a degree of independence and assurance that cannot be achieved by internal staff. MLPL's forecast allowances for these external services has been scoped by MLPL's subject matter experts have regard to hourly rates for the required engineering consultants and the estimates number of hours for each study type.

MLPL's forecast expenditure for the technical designs and specifications support activities are set out in the table below.

Table 14: Technical designs and specifications expenditure ($m real 2023)

	2025-26	2026-27	2027-28	2028-29	2029-30	Total
Internal labour costs	[redacted]					
Service provider costs						
Materials costs and other payments						
Total expenditure						

The following table provides further information on the composition of internal labour resources for the technical designs and specifications support activities. The internal labour forecasts reflect these resourcing needs having regard to the project schedule. For example, the asset management and operating roles will not be filled until 2028-29 as these resources will only be required much closer to project completion.

Table 15: Technical designs and specifications internal labour requirements (FTEs)

	2025-26	2026-27	2027-28	2028-29	2029-30
Engineering Manager	1.0	1.0	1.0	1.0	1.0
Owners/Banks Engineer technical liaison	1.0	1.0	1.0	1.0	1.0
System Studies Manager	1.0	1.0	1.0	1.0	1.0
Connections / power systems engineering	3.0	3.0	3.0	3.0	3.0

	2025-26	2026-27	2027-28	2028-29	2029-30
SPS engineering	1.0	1.0	1.0	1.0	1.0
Interface engineer / technical coordination	1.0	1.0	1.0	1.0	1.0
Interface Coordinator	1.0	1.0	1.0	1.0	1.0
Commissioning Manager	-	-	-	0.8	1.0
Asset Manager	-	-	-	0.8	1.0
Asset Information Management/as built (site install and equipment supply)	-	-	-	1.5	2.0
Operations planning (becomes Operations Manager)	-	-	-	0.5	1.0
Operations	-	-	-	3.0	6.0
Regulatory Advisor for TN/AEMO/SPS	1.0	1.0	1.0	1.0	1.0
Total FTEs	**10.0**	**10.0**	**10.0**	**16.5**	**21.0**

We consider that our proposed expenditure for technical designs and specifications support activities is prudent and efficient because:

- It is prudent for MLPL to retain internal resources that have the knowledge and expertise to respond to technical challenges as they emerge during the construction phase of the project.
- The proposed internal resources recognise the timing of MLPL's needs given the project timeframes, so that the costs are minimised.
- The external support from power system engineers is based on project scopes, hours required and hourly rates to derive a forecast allowance.

In addition to the above observations, we note that the following points made by Aurecon that support the prudency and efficiency of our proposed expenditure for the technical designs and specifications support activities:[13]

[13] Aurecon, Marinus Link Stage 1B Revenue Proposal, Cost Independent Verification and Review of Expenditure Forecasting Methodology, November 2024, Section 6.2.4, Table 6-6.

- The FTE positions proposed by MLPL are likely to be consistent with those we have observed at peer TNSPs and required for major infrastructure projects.

- MLPL will need its own technical staff who are capable of assessing and analysing the technical specifications for cables, converters, and civil works. Expertise will also be required on how to interface these major infrastructure components.

- Operationally, MLPL will need expertise on how it will operate as part of the NEM and with various parties such as AusNet and TasNetworks. Asset Management, Commissioning, and Information systems are also all prudent and necessary functions.

- An MLPL engineer is crucial for a large power transmission project, offering technical expertise, overseeing execution, managing risks, ensuring quality, ensuring regulatory compliance, and coordinating communication among stakeholders. This role helps provide input to MLPL on the delivery of works of their principal contractors (e.g. Hitachi, Prysmian), can provide advice on keeping the project on schedule, and ensuring its successful and compliant completion.

- Marinus Link has engaged with contractors and external advisors to ensure it receives support, and completes technical studies and verification. Aurecon considers these activities to be necessary and key for Marinus Link's efficient operation in the NEM. Other activities relate to witnessing of contracts and milestones which are also required. In reaching this conclusion, Aurecon noted that system studies and potentially joint planning activities are required to conduct a deep and robust analysis of the integration impact into the network to ensure that system stability is maintained after connection, which is far beyond the traditional scope of GPS studies and network impact studies. MLPL will cover at a minimum, frequency control, fault ride-through, transient stability, voltage stability, TOV, and other studies.

- MLPL has included allowances for Factory System Tests (FST) and Factory Acceptance Testing (FAT) travelling costs and labour costs. These costs are likely necessary for MLPL to appoint external consultants to witness factory system tests and confirm equipment has been manufactured to specification

8 Procurement strategy and execution

8.1 Key objectives and scope

The procurement strategy and execution has been a key focus for MLPL during the early works phase of the project. Our Revenue Proposal – Part A (Early works) explained that we have relied on expert advice, supported market testing and engagement with potential suppliers, to develop and execute our strategy. Our principal advisors are:

- Herbert Smith Freehills (Legal and Procurement advice);
- Jacobs (Australia) Pty Ltd, including its key subcontractor Elia Grid International (Engineering and specialist HVDC procurement advice) and previously Mott Macdonald;
- Coffey Services Australia (Environmental advice);
- Lockton Australia (Insurance advice); and
- Chatham Financial (hedging advice).

The overarching purpose of the procurement strategy is to achieve the best outcome for consumers by creating competitive tension in the tender processes to the greatest extent possible. For the construction phase of the project, the objectives and scope of this support activity will change from the 'early works' phase, which was focused on executing the contracts for the three works packages. The procurement strategy and execution during the construction phase will include procurement in accordance with the major contracts, in addition to undertaking procurement to support the construction phase of the project including external service providers.

Table 16: Procurement strategy and execution objectives and scope

Objectives	Scope
• To address MLPL's procurement needs, including those arising from the principal contractors. • To ensure that MLPL's procurement approach is consistent with industry best practice to provide confidence that MLPL's costs are prudent and efficient. • To conduct procurement in accordance with MLPL's procurement policy.	• To undertake procurement in accordance with the major contracts, in addition to procuring services from external service providers to support the construction phase of the project. • To maintain a best practice procurement policy. • Implement systems and processes to give effect to MLPL's procurement policy.

8.2 Resource requirements

The table below shows the build-up of our proposed forecast expenditure for the procurement strategy and execution support activities.

Table 17: Procurement strategy and execution expenditure ($m real 2023)

	2025-26	2026-27	2027-28	2028-29	2029-30	Total
Internal labour costs	[redacted]					
Service provider costs						
Materials costs and other payments						
Total expenditure						

The following table provides further information on the composition of internal labour resources for the procurement strategy and execution support activities. The internal labour forecasts reflect these resourcing needs during the construction phase of the project and reflect the changing focus to managing the executed contract as opposed to project execution during the early works phase of the project.

Table 18: Procurement strategy and execution internal labour requirements (FTEs)

	2025-26	2026-27	2027-28	2028-29	2029-30
Leader, Procurement and Contract Management	1.0	1.0	1.0	1.0	1.0
Procurement Assistant (everyday purchasing)	1.0	1.0	1.0	1.0	1.0
Contracts Officer (D&C admin)	1.0	1.0	1.0	1.0	1.0
Contract Specialist	1.0	1.0	1.0	1.0	1.0
Head of Major Contracts	1.0	1.0	1.0	1.0	1.0
Contract Manager	1.0	1.0	1.0	1.0	1.0
Contract Advisor	1.0	1.0	1.0	1.0	1.0
Package interface	1.0	1.0	1.0	1.0	1.0
Total FTEs	**8.0**	**8.0**	**8.0**	**8.0**	**8.0**

We consider that our proposed expenditure for procurement and execution support activities is prudent and efficient because:

- Our internal resources have been scoped to reflect the contracting structure and the on-going procurement activities during the construction phase of the project.
- An allowance for procurement support and commercial advisory services has been included to support the internal team.

In addition to the above observations, we note that the following points made by Aurecon that support the prudency and efficiency of our proposed expenditure for the procurement and execution activities:[14]

- Aurecon has reviewed the positions specified for Procurement Strategy and Execution against those we would expect for a peer TNSP, or for a greenfield major infrastructure project. Overall, we note that the positions specified by MLPL appear reasonable, and relate to prudent functions required for MLPL as a new TNSP.
- Marinus Link has received commercial advisory services from several of its advisors on the structuring of its cables, converters, and balance of works procurement and contract negotiation processes. Aurecon believes these activities to be prudent to ensure that MLPL undertakes these activities with its commercial interests in mind and to best negotiate with market participants in tender responses, manage variations and disputes, and address other performance related issues.
- Marinus Link has provisioned for legal allowances across various stages of the project's developments and milestones. From Aurecon's review, the activities specified appear reasonable in scope. MLPL has specified the level of effort for each task based on assuming the quantity and seniority levels of external staff that would be required and the delivery timeframes. This approach is reasonable in our view.

[14] Aurecon, Marinus Link Stage 1B Revenue Proposal, Cost Independent Verification and Review of Expenditure Forecasting Methodology, November 2024, Section 6.2.5, Table 6-7.

9 Biodiversity costs

9.1 Key objectives and scope

Biodiversity encompasses all components of the living world: the number and variety of plants, animals and other living things, including fungi and micro-organisms, across land, rivers, coast and ocean. It includes the diversity of their genetic information, the habitats and ecosystems within which they live, and their connections with other life forms and the natural world. As explained in section 4.2.2, our Sustainability Framework recognises the importance of a healthy planet, which means promoting biodiversity, minimising our environmental footprint and strengthening our actions on climate change.

In addition to meeting the objectives set by our Sustainability Framework, in relation to biodiversity we must also meet our compliance obligations under the Commonwealth and State legislation and regulations. Our expenditure forecasts therefore includes an allowance for biodiversity costs, which reflect the costs that we must incur in order to address and meet these obligations. Although these costs arise from compliance obligations, it is important that we reduce the cost impact on consumers to the greatest extent possible.

The table below provides a high level summary of our objectives and scope of work in relation to MLPL's biodiversity activities.

Table 19: Biodiversity objectives and scope

Objectives	Scope
• To understand our biodiversity obligations under the relevant State and Commonwealth legislation. • To minimise the total cost of meeting our biodiversity obligations on behalf of electricity consumers.	• Continue to liaise with the relevant State and Commonwealth agencies so that the project's biodiversity impacts are properly assessed. • Work with our service providers to reduce the residual biodiversity impact of the project, where it is cost effective to do so. • Identify the lowest cost option to redress the residual biodiversity impact in accordance with our compliance obligations.

9.2 Summary of key activities

In order to assess the biodiversity costs, the following steps are required:

- assess the impact of Marinus Link on biodiversity value;

- work with our project team and contractors to reduce the impact on biodiversity value where it is cost effective to do so; and
- determine the offsets that are required to compensate for the residual loss in biodiversity value.

For Marinus Link, the bulk of vegetation avoidance has occurred in the siting of the route and using HDD construction methodology. The calculation of the required offsets reflect our understanding of the mitigation measures that can be achieved. Our assessment is that the Victorian State offsets are triggered, but the Commonwealth offsets are not. Our forecast offsets are:

- 1.020 general habitat units;
- 3.833 species units of habitat for Eastern Spider-orchid;
- 14.740 species units of habitat for Strzelecki Gum; and
- 184 large trees.

A review of the credit market and potential trade options for the above requirements indicates all offsets for the project are considered to be readily available. In general, the offset costs associated with the species habitat units are significantly higher than general habitat units due to their scarcity.

9.3 Resource requirements

The table below shows our forecast biodiversity offset cost estimates. It should be noted that:

- We have assumed that there will be no dedicated roles attributable to this activity, noting that our environmental impact team will manage the biodiversity issues as part of their remit;
- No allowance has been included for service provider costs, as MLPL's expectation is that the biodiversity issues can be managed in-house; and
- Materials costs and other payments reflect our estimate of the biodiversity offset costs.

Table 20: Biodiversity expenditure ($m real 2023)

	2025-26	2026-27	2027-28	2028-29	2029-30	Total
Internal labour costs	[redacted]					
Service provider costs						
Materials costs and other payments						

	2025-26	2026-27	2027-28	2028-29	2029-30	Total
Total expenditure	[redacted]					

We consider that our proposed biodiversity costs are prudent and efficient noting that:

- We have not included any specific FTEs for this function;
- Our estimated costs for biodiversity offsets reflect our best view of the residual biodiversity impacts, having regard to the actions that can be taken to mitigate the biodiversity impact of the project; and
- Our estimate of the offset costs reflects the best available data, noting that all offsets for the project are readily available.

While MLPL considers our biodiversity costs to be prudent and efficient, we also recognise the significant uncertainty in these costs which are beyond our control. For that reason, MLPL is proposing a cost pass through provision to ensure that customers pay the actual biodiversity costs, subject to the AER verifying that the actual expenditure has been efficiently incurred.

10 Program and project management

10.1 Key objectives and scope

A major infrastructure project, such as Marinus Link, must have effective program and project management if the project is to meet its objectives prudently and efficiently. The table below describes the objectives and scope of our program and project management support activities for the construction period.

Table 21: Program and project management objectives and scope

Objectives	Scope
• To ensure the project is delivered on time and to budget in accordance with the project plans for the benefit of electricity consumers. • To ensure that the contractors understand and meet their contractual commitments prudently and efficiently. • To ensure that the project achieves best practice outcomes in health, safety and environment.	• The program and project management role recognises that significant effort will be required to actively manage efficient and timely project delivery, including the resolution of issues that may impact the project schedule. • The overall project management is the responsibility of the Project Director, supported by direct reports who will manage the following issues: engineering design, risk management, project controls/scheduling, cost estimating, interface management, quality control, document control and administration support. • Liaise with contractors to ensure that their systems and processes meet health, safety and environment best practice.

10.2 Summary of key activities

We explained in our Revenue Proposal - Part A (Early works) that the program and project management activities were principally concerned with establishing the project governance and management arrangements, in addition to contributing to the development of the procurement strategy.

During the construction phase, the focus of our program and project management activities changes to the successful delivery of the project through effective engagement with and management of our principal service providers. The key activities during this phase of the project are:

- Liaising with our service providers to ensure that their contractual obligations are delivered on time and budget;

- Implementing the core project controls and commercial processes and systems to inform timely, accurate project information and efficient decision-making;
- Managing the project schedule to inform overall progress and performance to identify issues and provide assurance that key risks are being proactively managed;
- Engaging with our principal contractors to address interface and contract management issues as they arise to minimise the risk and cost consequences of delays; and
- Applying the HSE management systems to ensure that occupational health, employee safety, and environmental best practice is implemented throughout the project to prevent or mitigate accidents, incidents and meet MLPL's legal obligations.

While the scope of the program and project management activities will change substantially from the early works stage, the systems and processes established will be employed during the construction phase. Furthermore, while the scope of the activities will change during the construction phase of the project, it is important to note the continuity with early works in that the program and project team has been established, along with the supporting systems and processes. The experience gained during the early works phase has been invaluable in forecasting the scope and costs of the program and project management support activities during the construction phase of the project.

10.3 Resource requirements

The table below shows the build-up of our proposed expenditure for the program and project management support activities. The costs assume that MLPL will be managing the project in-house. If MLPL's proposed delivery model changes, for example by appointing a Delivery Partner, the forecasts below will need to be updated at the time of MLPL's revised Revenue Proposal. MLPL will provide a comprehensive explanation of the rationale for the changes at that time, including an explanation as to why the proposed change is expected to achieve a better outcome for customers.

Table 22: Program and project management expenditure ($m real 2023)

	2025-26	2026-27	2027-28	2028-29	2029-30	Total
Internal labour costs	[redacted]					
Service provider costs						
Materials costs and other payments						

	2025-26	2026-27	2027-28	2028-29	2029-30	Total
Total expenditure	[redacted]					

The service provider costs principally relate to:

- Transmission licence annual fees - Annual compliance levy; and
- Costs relating to preparing and finalising service agreements between MLPL, AEMO and TasNetworks that clarify the roles and responsibilities of the relevant parties.

The materials cost and other payments include:

- 22kV site power (VIC & TAS) auxiliary power costs (energy bill) during construction and commissioning;
- Vessel to vessel transfer during cable lay and burial operations;
- Hire of storage location near port for offshore cable spares; and
- MLPL repair vessel plus equipment.

MLPL's internal labour forecasts reflect the resourcing needs to undertake program and project management during the construction phase of the project. While the construction of the assets has been outsourced to external service providers, MLPL has an important role in managing project delivery including the interface between the contractors. The principal internal labour roles that are required are summarised below:

- **Project Director** – the Project Director provides a single point of responsibility for the overall successful execution and delivery of the project.
- **Package managers** – the package managers will ensure compliance and delivery of the scope of works as agreed in the commercial terms of all main contracts.
- **Project Controls** – responsible for cost and schedule tracking. This role will be supported by functional roles including cost, scheduling, change control and document management.
- **Quality Managers (Cables and Converters)** – responsible for managing the specifications, performance and outputs for each of the cables and converters contracts.
- **Project engineers** – responsible for ensuring the engineering designs and other documents are compliant, issued on time and reflect the correct specifications. This role is critical for successful integration across all packages and will be supported by two senior engineering roles relating to cables and converters.

- **Site managers** – responsible for managing site related issues, including safety, compliance, scheduling and conflict resolution through active engagement with contractors, sub-contractors and suppliers.

- **Contract administrators** – responsible for the administration of the contracts, ensuring that the project is managed in accordance with the contracts, including payment milestones, payment adjustment mechanisms, variations and provide advice on contractual issues.

- **Health Safety and Environment** – responsible for ensuring that MLPL meets its health, safety and environmental obligations.

The following table provides further detailed breakdown of the internal labour resources that are required for the program and project management support activities.

Table 23: Program and project management internal labour requirements (FTEs)

	2025-26	2026-27	2027-28	2028-29	2029-30
Project Director	1.0	1.0	1.0	1.0	1.0
Deputy Project Director	1.0	1.0	1.0	1.0	1.0
Executive Assistant	1.0	1.0	1.0	1.0	1.0
Converters Package Manager	1.0	1.0	1.0	1.0	1.0
Converter Senior Project Manager	0.9	1.0	1.0	1.0	1.0
Converter Project Manager	2.0	2.0	2.0	2.0	2.0
Converter Project Engineer (site based)	2.0	2.0	2.0	2.0	2.0
Converters Contract Administrator	1.0	1.0	1.0	1.0	1.0
Cables Package Manager	1.0	1.0	1.0	1.0	1.0
Subsea Cables Project Engineer	-	-	0.5	1.0	1.0
Vic Onshore Cables Project Manager	2.0	2.0	2.0	2.0	2.0
Vic Onshore Cables Project Engineer	1.0	1.0	1.0	1.0	1.0
Cables Contract Administrator	1.0	1.0	1.0	1.0	1.0
Leader Project Services/Controls	1.0	1.0	1.0	1.0	1.0
Master Scheduler	1.0	1.0	1.0	1.0	1.0
Assistant Scheduler	2.0	2.0	2.0	2.0	2.0

	2025-26	2026-27	2027-28	2028-29	2029-30
Resource Planning	2.0	2.0	2.0	2.0	2.0
Cost Controllers	2.0	2.0	2.0	2.0	2.0
Document Controller /Change Manager	2.0	2.0	2.0	2.0	2.0
Reporting	2.0	2.0	2.0	2.0	2.0
HSEQ Systems and Reporting	1.0	1.0	1.0	1.0	1.0
Risk Controller	1.0	1.0	1.0	1.0	1.0
Business Support /Project Admins	6.0	6.0	6.0	6.0	6.0
Construction Manager	0.6	1.0	1.0	1.0	1.0
Snr Safety Advisor	0.6	1.0	1.0	1.0	1.0
Contract Administrator (BOW)	0.6	1.0	1.0	1.0	1.0
Senior Contract Administrator (All contracts)	1.2	2.0	2.0	2.0	2.0
Site Manager Heybridge	0.6	1.0	1.0	1.0	1.0
Construction Superintendent (civil/mechanical) (Tas)	0.3	1.0	1.0	1.0	0.3
Construction Safety Specialist (Tas)	-	0.2	1.0	1.0	1.0
Construction Superintendent (electrical)	-	-	0.2	1.0	1.0
QA Officer1	0.6	1.0	1.0	1.0	1.0
QS/Cost 1	0.6	1.0	1.0	1.0	1.0
Site Manager Hazelwood	0.6	1.0	1.0	1.0	1.0
Construction Superintendent (civil/mechanical) 2	0.3	1.0	1.0	1.0	1.0
Construction Safety specialist (Vic) 1	-	0.2	1.0	1.0	1.0
Construction Superintendent (electrical)	-	-	0.2	1.0	1.0
QA Officer 2	0.6	1.0	1.0	1.0	1.0
QS/Cost 2	0.6	1.0	1.0	1.0	1.0
Site Manager Vic Cables	1.2	2.0	2.0	2.0	2.0

	2025-26	2026-27	2027-28	2028-29	2029-30
Construction Superintendent (civil)	0.6	1.0	1.0	0.8	-
Construction Superintendent (cable pulling and jointing)	-	-	-	0.6	1.0
Construction Safety specialist (Vic) 2	1.2	2.0	2.0	2.0	2.0
QA officer 3	1.2	2.0	2.0	2.0	2.0
QS/Cost 3	1.2	2.0	2.0	2.0	2.0
Total FTEs	**47.3**	**57.3**	**59.8**	**62.3**	**61.3**

We consider that our proposed program and project management costs are prudent and efficient for the following reasons:

- We have sized our internal labour to provide effective oversight of the project to ensure that the project is delivered prudently and efficiently. This has included a detailed examination of MLPL's responsibilities across the project, and the need to manage safety, performance and delivery risks;
- MLPL has worked with its internal subject matter experts and its external advisors to determine the resourcing requirements for a project of this magnitude, having regard to industry best practice and MLPL's risk register and mitigation strategies; and
- Where possible, we have sought to optimise the level of service provider support to provide flexibility in workloads, rather than recruit additional FTEs.

In addition to undertaking extensive work to determine the resource requirements, we engaged Aurecon to conduct its own independent assessment of the program and project management resource requirements. In addition to providing access to our subject matter experts to address any specific questions arising from our plans, Aurecon were able to draw on industry benchmarking and their own experience to assess the prudency and efficiency of our proposed plans. Aurecon's report highlighted the following points that support the prudency and efficiency of our proposed expenditure for the program and project management activities:[15]

- Overall, we note that the positions specified by MLPL appear reasonable, and relate to prudent functions required for major HVDC infrastructure:
    - Managing and delivering major infrastructure, including its civil works, cables, and converters.

[15] Aurecon, Marinus Link Stage 1B Revenue Proposal, Cost Independent Verification and Review of Expenditure Forecasting Methodology, November 2024, Section 6.2.6, Table 6-8.

  - Ensuring construction activities are conducted safely and in accordance with the appropriate management systems.
  - Ensuring project sites are supervised.
  - Documenting construction work progress and flagging risk across various delivery packages.
  - Ensuring costs are appropriately estimated.
  - Ensuring that activities are undertaken to the required standard for various milestones.

- Aurecon considers that establishing a Dispute Avoidance Board enables early resolution of potential conflicts, minimising costly delays and litigation. It promotes open communication, provides expert guidance, and preserves positive relationships between parties. This proactive approach ensures smoother project delivery, safeguarding timelines, quality, and reducing overall risks.
- The inclusion of assurance reviews is reasonable in our view. Inclusion of allowances for financial capacity assessments and audits are likely necessary to meet compliance requirements and for securing financing
- Independent estimation advice and quantitative risk advice will be necessary for MLPL in determining an appropriate risk allowance for the project and developing target costs for the future Balance of Works package, in addition to checking costs of any deviations put forward by delivery partners or in contractual disputes.
- In relation to the materials costs and other payments, Aurecon considers these costs are necessary to address and manage the issues arising from project interface, project control and contract management, and minimise the risk and cost consequences of delays.

As already noted, MLPL notes that the resource requirements assumes that MLPL will undertake the program and project management internally, rather than engaging a Delivery Partner. If this assumption changes, it will impact the balance of resources that are provided by external service providers and those that are provided internally by MLPL. MLPL will confirm its project management approach in its revised Revenue Proposal, following the completion of the Balance of Works tender.

11 Corporate costs and support

11.1 Key objectives and scope

During the early works phase, we explained that MLPL needed to invest in people, processes, and systems to ensure that it has the capability in place to deliver Marinus Link in accordance with the timeframes envisaged by the 2024 ISP. In this regard, we also noted that MLPL's circumstances differed significantly from other TNSPs that already have corporate functions in place. As the corporate function has been established during the early works phase, the corporate and support costs are expected to be more closely aligned to a typical TNSP's costs for the construction phase of the project.

The table below describes the objectives and scope for our corporate costs and support activities for the construction phase of the project.

Table 24: Corporate costs and support objectives and scope

Objectives	Scope
• To ensure that the project is supported by appropriately sized corporate functions, systems and processes to promote the timely and efficient delivery of the project.	• MLPL's corporate activities include governance, business establishment, finance, human resources, legal and regulatory support.

11.2 Summary of key activities

As noted in relation to program and project management, effective corporate support is essential if MLPL is to achieve its project objectives prudently and efficiently. During the early works phase, MLPL has invested significantly in building its corporate function in readiness to deliver and operate Marinus Link prudently and efficiently. For the construction phase, the task is to use the corporate function, systems and processes effectively to support the successful delivery of the project and ensure that MLPL is ready to undertake its future role as a TNSP.

MLPL's corporate and support activities for the construction phase of the project are closely aligned with other TNSPs. These functions include finance and business services; human resources; information and technology; governance and legal; corporate communications; commercial and procurement; and customer and regulation. MLPL's corporate and support activities also include the provision of office space, which comprises offices in Gippsland, Hobart, Melbourne and Burnie. In order to prepare MLPL for its role as a TNSP following project construction, it is also important to make an allowance for training, culture, leadership and coaching.

11.3 Resource requirements

In assessing the resource requirements for the corporate and support function, we engaged Ernst & Young (EY) to undertake a high-level design of MLPL's corporate functions and provide a roadmap for the implementation of the corporate functions. MLPLs activities with respect to composition of its staff, business establishment costs, and software and processes have been guided by this specialist advice.

We have identified the number of FTEs required to deliver the construction phase of the project. We have also had regard to MLPL's longer term role as a TNSP, which informs the choice between resourcing through internal FTEs rather than external service providers. In particular, it is important to 'right size' the corporate function to reflect MLPL's longer term role as a TNSP.

The table below shows our proposed expenditure for the corporate and support activities.

Table 25: Corporate costs and support expenditure ($m real 2023)

	2025-26	2026-27	2027-28	2028-29	2029-30	Total
Internal labour costs	[redacted]					
Service provider costs						
Materials costs and other payments						
Administrative costs						
Total expenditure						

The 'materials and other payments' principally includes costs associated with IT licences, Software as a Service (SaaS) subscriptions and support agreements. The following table provides further information on the composition of internal labour resources for the corporate and support activities.

Table 26: Corporate costs and support internal labour requirements (FTEs)

	2025-26	2026-27	2027-28	2028-29	2029-30
Head of Safety	1.0	1.0	1.0	1.0	1.0
Safety Partner	1.0	1.0	1.0	1.0	1.0
Safety Admin (office based)	1.0	1.0	1.0	1.0	1.0
Head of People	1.0	1.0	1.0	1.0	1.0
People Partner (Vic, Project team)	1.0	1.0	1.0	1.0	1.0

	2025-26	2026-27	2027-28	2028-29	2029-30
People Partner (Tas, Corporate)	1.0	1.0	1.0	1.0	1.0
Recruitment Specialist (Vic and Tas resourcing plan)	1.0	1.0	1.0	1.0	1.0
Project Coordinator (safety and people)	1.0	1.0	1.0	1.0	1.0
Sustainability Analyst	1.0	1.0	1.0	1.0	1.0
Head of Comms	1.0	1.0	1.0	1.0	1.0
Comms Adviser	2.0	2.0	2.0	2.0	2.0
Graphics / brand	1.0	1.0	1.0	1.0	1.0
Strategic Stakeholder Manager	1.0	1.0	1.0	1.0	1.0
SHA Obligations Officer	1.0	1.0	1.0	1.0	1.0
Stakeholder Administrator	1.0	1.0	1.0	1.0	1.0
CEFC Liaison Officer	1.0	1.0	1.0	1.0	1.0
Digital and Platforms Manager	1.0	1.0	1.0	1.0	1.0
Solutions Architect	1.0	1.0	1.0	1.0	1.0
Data Analyst	2.0	2.0	2.0	2.0	2.0
Company Secretary / Board services	1.0	1.0	1.0	1.0	1.0
Governance Lead	1.0	1.0	1.0	1.0	1.0
General Project Lawyer	1.0	1.0	1.0	1.0	1.0
Construction Lawyer	1.0	1.0	1.0	1.0	1.0
Risk and Compliance	2.0	2.0	2.0	2.0	2.0
Head of Finance	1.0	1.0	1.0	1.0	1.0
Finance Manager (forecasting and ops)	1.0	1.0	1.0	1.0	1.0
Snr Business Partner	1.0	1.0	1.0	1.0	1.0
Business Partner	1.0	1.0	1.0	1.0	1.0

	2025-26	2026-27	2027-28	2028-29	2029-30
Finance Officer (payroll and AP and AR)	1.0	1.0	1.0	1.0	1.0
Finance Manager (accounting)	1.0	1.0	1.0	1.0	1.0
Systems / Asset / Financial Accountant	1.0	1.0	1.0	1.0	1.0
Treasury Accountant / Analyst	1.0	1.0	1.0	1.0	1.0
Corporate Finance Manager	1.0	1.0	1.0	1.0	1.0
Head of Corporate Finance	1.0	1.0	1.0	1.0	1.0
Strategy Analyst	1.0	1.0	1.0	1.0	1.0
Leader, Revenue and Pricing	1.0	1.0	1.0	1.0	1.0
Regulatory Advisor	1.0	1.0	1.0	1.0	1.0
Revenue Officer	1.0	1.0	1.0	1.0	1.0
Commercial Manager	1.0	1.0	1.0	1.0	1.0
Chair of the Board	1.0	1.0	1.0	1.0	1.0
Board Members	6.0	6.0	6.0	6.0	6.0
CEO	1.0	1.0	1.0	1.0	1.0
People, Culture and Safety	1.0	1.0	1.0	1.0	1.0
General Counsel & Company Secretary	1.0	1.0	1.0	1.0	1.0
CFO	1.0	1.0	1.0	1.0	1.0
CCO	1.0	1.0	1.0	1.0	1.0
Additional Executive	1.0	1.0	1.0	1.0	1.0
Total FTEs	**55.0**	**55.0**	**55.0**	**55.0**	**55.0**

We consider that our corporate and support costs are prudent and efficient for the following reasons:

- Our internal labour reflects FTEs required to support the construction of Marinus Link and prepare MLPL for its future role as a TNSP, and enables MLPL to reduce its reliance on external service providers;

- Our material costs and other payments principally relate to IT licence and support costs and reflect our best estimate of these costs; and

- MLPL's forecasts have been subject to external review, including by MLPL's Board, which applies an effective 'top down' discipline on the forecast expenditure.

As already noted in relation to the other support activities, we engaged Aurecon to review our forecast corporate costs having regard to industry benchmarks and their own experience. Aurecon's report, which is provided as Attachment 9, supports our view that the proposed level of resources is prudent and efficient, noting that MLPL is a 'single project' TNSP which means that the corporate costs attributable to Marinus Link will exceed the corporate costs for an actionable ISP project which is being progressed as a contingent project for an existing TNSP.[16]

[16] Aurecon, Marinus Link Stage 1B Revenue Proposal, Cost Independent Verification and Review of Expenditure Forecasting Methodology, November 2024, Section 6.2.7, Table 6-9.

12 Insurance

12.1 Key objectives and scope

Our expenditure forecasts include insurance costs for the construction phase of the project. Insurance for major projects is a very complex process that will have its own timeline and workstream. Given this complexity, MLPL has engaged Lockton Australia to support MLPL in securing a suite of insurances that address the risks associated with Marinus Link and the contractual arrangements with our service providers.

MLPL's contracts with service providers are particularly important because MLPL's insurance coverage must have regard to the risks that are borne by MLPL and those that are borne by our contractors. As the tender process has not yet been completed, the insurance coverage can only be described at a high level at this stage and, consequently, the forecast insurance costs should be regarded as indicative only.

The insurance program is typically a condition-precedent to the financing of the project and the minimum requirements of that insurance program will be set out in finance agreements. Typically, financiers will rely on their appointed insurance advisor to review the final insurance documentation and confirm compliance as a bankable insurance program prior to financial close. The insurance program therefore has an important role from a project finance perspective, in addition to the fundamental task of managing construction risks on behalf of electricity consumers.

The table below provides a high level summary of our objectives and scope of work in relation to MLPL's insurance activities.

Table 27: Insurance objectives and scope

Objectives	Scope
• To determine MLPL's insurance coverage for the construction phase of the project, having regard to MLPL's risks and the requirements of financiers in relation to insurance coverage. • To develop and implement an insurance strategy to secure a prudent level of coverage cost effectively on behalf of electricity consumers.	• Understand the risk allocation between MLPL and its service providers to develop a view on the required level of insurance coverage. • Ensure that MLPL's approach to insurance considers the likely position of insurers in relation to different types of risks. • Engage with expert advisors to navigate the insurance market and provide detailed project information to attract and unlock insurance capacity. • Structure the insurance program to achieve the appropriate level of coverage at the lowest cost to consumers.

12.2 Summary of key activities

The insurance program will need to provide an appropriate level of cover to address the following types of construction risk:

- **Contract works**

  This insurance relates to physical loss or damage to the works, including the cabling, converter stations, civil works, switch yards and all other aspects of Stage 1. The coverage would include all materials and other property comprising the works. The contract works insurance will need to relate to onshore and offshore works.

- **Delay in start up**

  This insurance cover is triggered by damage to the works insured by the contract works insurance, which results in a delay to the scheduled commencement of commercial operations. The policy limit is related to the period required to reinstate the damage (noting lead times of critical equipment) and the financial loss incurred during the delay period.

- **Third party liability**

  This insurance relates to legal liability to third parties in respect of third-party personal injury (including bodily) or property damage.

- **Marine Cargo**

  This policy insures loss or damage to goods, materials and critical plant against physical loss or damage for incorporation in or used in connection with the works whilst in transit to MLPL's site.

- **Corporate insurance**

  In addition to the construction specific insurance described above, MLPL will also need to obtain more general corporate insurance, including:

  – Directors and officers liability insurance;

  – Cyber Insurance;

  – Environmental Impairment Liability (including contractor's pollution);

  – Terrorism Insurance; and

  – Other, such as office, motor and travel insurance.

To achieve MLPL's insurance objectives, as described in this section 12, significant effort will be required from our insurance brokers and management team. At a high level, the activities will include:

- **Needs analysis and information gathering, including:**
  - Review and update MLPL's risk analysis and contracts with service providers;
  - Collation of technical project information;
  - Prepare draft policy wording and insurance plan; and
  - Prepare underwriting submission.
- Negotiate market terms and finalise placement, including:
  - Underwriter presentations – Hobart/Melbourne, London/Europe;
  - Insurance broker to present outcomes, terms and conditions, and recommendations;
  - MLP instructions to select lead terms;
  - MLP to secure agreement from Board and lenders;
  - MLPL to instruct insurance broker; and
  - Policy documentation finalised and issued.

As part of the process outlined above, it is highly likely that MLPL and the Board will need to make some important decisions regarding the insurance coverage and level of deductibles, so that we obtain the best value for electricity consumers. The details of the choices that will need to be made will be subject to advice from our insurance broker, financiers and shareholders. At this stage, however, it is important to recognise that the task will be complex and resource intensive.

12.3 Resource requirements

The table below sets out our insurance expenditure, which only relates to the premiums costs, uninsured losses, deductibles and the expected fee payable to the MLPL's insurance broker. As the insurance has not yet been procured, this information is commercially sensitive and has been redacted. It should be noted that while management effort will be required to obtain the required insurance, MLPL does not propose to employ an insurance expert in-house and, instead, the task of obtaining insurance can be managed within MLPL's proposed corporate structure and resourcing levels.

Table 28: Insurance expenditure ($m real 2023)

	2025-26	2026-27	2027-28	2028-29	2029-30	Total
Internal labour costs*	[redacted]					
Service provider costs*						
Materials costs and other payments*						
Total expenditure*						

* This cost information is commercially sensitive and has been redacted for the purposes of this Revenue Proposal.

We consider that our proposed expenditure for insurance is prudent and efficient noting that:

- We have not included any specific FTEs for this function;
- Our estimates for insurance premiums and uninsured losses, including deductibles, are only provisional at this early stage; and
- It is prudent for MLPL to rely on expert advice from our insurance broker to navigate the complexities of the insurance markets and enable MLPL to obtain the best outcome on behalf of electricity consumers.

13 Why is our proposed expenditure prudent and efficient?

13.1 Rules requirements

Clause 6A.6.7(c) of the Rules states that the AER must accept the forecast of required capital expenditure of a TNSP that is included in a Revenue Proposal if the AER is satisfied that the total of the forecast capital expenditure for the regulatory control period reasonably reflects each of the following (capital expenditure criteria):

(1) the efficient costs of achieving the capital expenditure objectives;

(2) the costs that a prudent operator would require to achieve the capital expenditure objectives; and

(3) a realistic expectation of the demand forecasts and cost inputs required to achieve the capital expenditure objectives.

To paraphrase, this provision indirectly places an obligation on MLPL, as an Intending TNSP, to demonstrate that its forecast capital expenditure to deliver Marinus Link is prudent and efficient. While this obligation applies to MLPL's total forecast capital expenditure, in practice prudency and efficiency can only be demonstrated by testing whether each category of expenditure is prudent and efficient. Specifically, in relation to our support activities, we consider it appropriate to explain why the AER should be satisfied that the forecast expenditure presented in this attachment is prudent and efficient.

13.2 Supporting evidence

The scope of the support activities presented in this attachment are focused on facilitating the timely and efficient delivery of the project, noting that project construction is being outsourced through competitively tendered contracts. In this context, MLPL's support activities are those tasks that are best retained by MLPL to ensure that our service providers are able to deliver their contractual commitments in accordance with the project timelines and budget. The overall objective is to combine the support activities and the outsourced contracts to achieve the best outcome for electricity consumers.

For each support activity, we have carefully considered the scope of the required activities and the balance between internal and external resourcing. In making these decisions, we have had regard to the following drivers:

- the objective of minimising the total project costs;

- the need to provide flexibility in the resourcing decisions, noting that issues and risks are likely to materialise during the construction phase which may require a change in resourcing levels for some activities; and

- the longer term objective of ensuring that MLPL has the right people, processes and systems in place to transition to the role of transmission asset owner and operator once the project is commissioned.

For each support activity, we have summarised why the scope of the activities and the forecast expenditure should be assessed as prudent and efficient. Where applicable, we have also had regard to benchmarking information noting the limitations of benchmarking for major infrastructure projects that have their own unique challenges and contracting arrangements. As a single project TNSP, for example, MLPL's corporate costs are fully attributable to Marinus Link, whereas other TNSPs will incur modest increases in corporate costs as a result of undertaking a major transmission project.

Our reliance on external service providers means that our role is focused on enabling the successful delivery of the project rather than undertaking construction activities in-house. The complex and challenging nature of the project, however, is reflected in the scope of the support activities. For the reasons presented in this attachment, MLPL considers that it has scoped and costed these support activities in a manner that reflects the best available information and estimates of the resourcing costs. For some support activities, we have highlighted aspects where our forecast expenditure is likely to understate the actual costs. We consider that these examples appropriately impose a cost discipline on us to find efficiency savings during the construction phase so that the actual costs do not exceed the AER's total allowance.

Aurecon's review of our support activities provides further assurance that the forecasts are prudent and efficient. As noted in section 3.1, Aurecon's conclusions include the following comments:[17]

- MLPL's proposed expenditure and scope for support activities (exclude sustainability initiatives, insurance and hedging which were not assessed) is likely to be reasonable.

- Aurecon is satisfied that the scope of the activities reviewed, which includes land and easement acquisition, landowner and stakeholder engagement, environmental impact assessments, procurement, program management, technical studies, and broader corporate costs are well defined and necessary.

- MLPL has a higher FTE headcount compared to peer projects such as HumeLink, but this is likely a function of several corporate/administrative staff at peers being spread across multiple projects (lower FTE allocation or being treated as indirect costs), or due to differences in delivery structure.

[17] Aurecon, Marinus Link Stage 1B Revenue Proposal, Cost Independent Verification and Review of Expenditure Forecasting Methodology, November 2024, Executive summary, page 11.