

9 April 2024

Anna Collyer  
Chair  
Australian Energy Market Commission  
GPO Box 2603  
Sydney NSW 2001  
*Project Reference Code: ERC0383*

Dear Ms Collyer,

### **Flexibility in the allocation of interconnector costs – Consultation paper**

Marinus Link Pty Ltd (**MLPL**) welcomes the opportunity to make this submission in response to the Commission's consultation paper on the 'flexibility in the allocation of interconnector costs' Rule change request, which has been submitted by the Federal, Victorian and Tasmanian Energy Ministers.

As explained in this submission, MLPL strongly supports the Rule change proposal which will provide much needed flexibility in the transmission pricing arrangements that currently apply to interconnectors.

As you know, Marinus Link involves approximately 255 kilometres of undersea HVDC cable and approximately 90 kilometres of underground 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. Marinus Link will be owned and operated by MLPL, which is owned by the Federal Government (49%), the Victorian Government (33.3%) and Tasmanian Government (17.7%). Marinus Link will be supported by augmentations of the existing transmission system in Tasmania, known as the North West Transmission Developments (**NWTD**), which are being progressed by TasNetworks. We refer to Marinus Link and the NWTD as 'Project Marinus'.

The business case for Project Marinus was first assessed in 2017, and subsequently re-examined through the completion of the RIT-T process and successive Integrated System Plans. While the estimated net economic benefits have changed over the period, the overall conclusion remains unchanged that Project Marinus will play an important role in Australia's transition to net zero.

Furthermore, market modelling conducted by international consultants, FTI Consulting, found that customers in Tasmania and Victoria will benefit from lower electricity prices if Project Marinus proceeds as planned, noting that:<sup>1</sup>

- Project Marinus will put downward pressure on wholesale prices by unlocking additional renewable generation and enabling the two-way flow of the lowest-cost energy between Tasmania and Victoria.
- Project Marinus unlocks Tasmania’s world-class wind potential, pumped hydro resources, and better access to the existing Tasmanian hydro fleet. This displaces higher-priced generation (largely gas-fired generation and demand response).

It follows that any impediment to the timely delivery of Project Marinus will impose costs on electricity consumers, contrary to the National Electricity Objective.

In relation to the current transmission pricing arrangements for interconnectors, MLPL strongly agrees with the Energy Ministers that there is a lack of clarity regarding the revenue recovery arrangements for an interconnector that is located in Commonwealth waters, i.e. outside any NEM region. Furthermore, the proposed solution – which is to allow the revenue to be recovered from the respective regions in accordance with the terms of a jurisdictional agreement – will provide an appropriate degree of flexibility to resolve the issues in a timely and efficient manner. Importantly, MLPL notes that each jurisdiction is in the best position to determine an outcome that promotes the long term interests of the electricity consumers in their region.

MLPL also agrees with the Rule change proponents that while Marinus Link’s particular characteristics demonstrate the need for a Rule change, it is feasible that other interconnector projects may also benefit from increased flexibility in the current revenue recovery arrangements. In particular, the proposed solution would allow the jurisdictions to ensure that the electricity consumers in their region would be net beneficiaries if the relevant interconnector project proceeds. In effect, the Rule change would provide additional flexibility that could prevent uneconomic outcomes eventuating, such as a delay to the timely delivery of the project.

---

<sup>1</sup> <https://www.marinuslink.com.au/how-customers-benefit/>

In addition to strongly supporting the Rule change, MLPL would like to draw the Commission's attention to the following implementation issues:

- **Scope.** The consultation paper asks whether the Rule change should be limited to interconnectors that are actionable ISP projects. MLPL's view is that there is no particular reason to limit the Rule change in that way, noting that it would restrict access to a more flexible revenue recovery arrangement that could be better aligned with consumers' long-term interests.
- **Criteria for acceptance.** The consultation paper asks whether a jurisdictional agreement should be subject to criteria that may be specified in AER guidelines. MLPL's view is that jurisdictions are uniquely placed to make their own assessment of how the revenue requirements for an interconnector project should be allocated to achieve acceptable pricing outcomes. MLPL therefore does not consider it necessary for the AER to assess whether an agreement reached by the jurisdictions satisfies particular criteria. Instead, MLPL considers that the AER's role should be limited to ensuring that the terms of the agreements are correctly reflected in each TNSP's pricing methodology.
- **Implementation mechanism.** The consultation paper asks whether the proposed Rule change could be implemented through a change to the transmission pricing arrangements in Part J of Chapter 6A. MLPL's view is that the change is best implemented through the Coordinating Network Service Provider (**CNSP**) provisions in clause 6A.29, which forms part of the transmission pricing arrangements. The role of the CNSP, which is attributed to a TNSP in a region, is to collect regulated transmission revenues on behalf of other TNSPs in that region. It follows that these provisions are ideally suited to allowing the CNSP in each interconnected region to recover revenues on behalf of an interconnector owner.
- **Timing.** The Rule change proponents suggest that timeframes should be specified in the Rules that provide the AER with sufficient time to review the jurisdictional agreement. As noted above, MLPL's view is that the AER's role should be more limited than appears to be envisaged by the Rule change proponents. More importantly, however, MLPL notes that a jurisdictional agreement is likely to be reached prior to the AER making a revenue determination in relation to the interconnector. Therefore, in terms of timing, MLPL considers that a jurisdictional agreement could be lodged by the project proponent as part of its Revenue Proposal submission or Contingent Project Application.

In Marinus Link's case, it is likely that the jurisdictional agreement would not need to be lodged until its Revenue Proposal submission for the second regulatory period, which is expected to

commence on 1 July 2030. Prior to that date, Marinus Link is not expected to be operational and, therefore, will not be recovering revenue from electricity consumers.

In addition to raising the above points, MLPL would like to note its support for the submission lodged by Energy Networks Australia. MLPL looks forward to working with the Commission as it finalises its Rule determination. In the meantime, if you would like to discuss this submission, please contact me at your earliest convenience.

MLPL appreciates the proactive approach by AEMC staff to engage with us on this rule change. The opportunity to meet in person to discuss the rule change was beneficial.

Yours sincerely,

A handwritten signature in black ink that reads "Ben Wagner". The signature is written in a cursive, slightly slanted style.

Ben Wagner  
Head of Customer Projects