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Australia 7001

Anna Collyer
Chair
Australian Energy Market Commission
GPO Box 2603
Sydney NSW 2001

30 January 2025

Reference: ERC0393

Dear Anna,

Subject: Improving the NEM access standards – Package 1 Rule Change Draft Determination

Thank you for the opportunity to provide this submission in response to the Commission's Draft Determination on improving the NEM access standards.

As you know, Marinus Link has been identified as an actionable project in the 2024 Integrated System Plan (**ISP**), and forms part of the Australian Energy Market Operator's (**AEMO**) Optimal Development Path which is designed to deliver reliable energy solutions at the lowest total cost. Marinus Link is being progressed in two stages each comprising a 750 MW HVDC interconnector between Tasmania and Victoria, with Stage 1 to be delivered by 2030 and Stage 2 potentially as early as 2032.

Marinus Link Pty Ltd (**MLPL**) has made significant progress in meeting the timeframes envisaged by the ISP, including awarding major contracts to Hitachi Energy and Prysmian Powerlink for converter station equipment and cables, respectively. Securing these contractors, through competitive tender processes, has been essential to meet the timeframes in the ISP for Stage 1 of Marinus Link.

The Commission's draft Rule proposes various amendments to clarify, amongst other things, the connection requirements for HVDC assets, which will affect future HVDC connections. MLPL supports these changes which the Commission expects to deliver the following benefits in accordance with the National Electricity Objective (**NEO**):[1]

- Broadening the application of schedule 5.3a of the Rules to include all future HVDC links to promote certainty for investment in HVDC links by clarifying the technical standards they are required to meet.

- Accounting for the significant power system impacts as well as the benefits of the improved capabilities of modern HVDC links in the access standards. According to the Commission, this change will provide clarity for the design of HVDC links, in coordination with network planning, to promote efficient investment and power system operation.

More specifically, the Commission has identified improvement opportunities in relation to the existing requirements applying to future HVDC links regarding the following matters:[2]

- **Reactive power capability.** The proposed changes are expected to support power system resilience and support efficient investment and operation.

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1 AEMC, Draft Rule determination, National Electricity Amendment (Improving the NEM access standards - Package 1) Rule 2025, 5 December 2024, page 2.

2 Ibid, pages 59 to 66.

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- **Response to disturbances in the power system:** The proposed changes are expected to promote system security, noting that continuous uninterrupted operation of HVDC links is critical to prevent islanding and support adequacy of supply, system strength and inertia in the NEM.

- **Monitoring and control requirements**: The proposed changes are expected to promote a coordinated approach to inverter-based resource instability that can be applied to all relevant plant, including HVDC links.

- **New standards:** The proposed changes are expected to provide consistency for all schedule 5.2 and schedule 5.3a plant, which will incentivise HVDC connection applicants to make efficient decisions through the negotiation of performance standards where meeting the automatic access standard may be too costly or impractical.

While MLPL supports the Commission's changes for future HVDC links, it is not necessary or appropriate to apply these changes to Stage 1 of Marinus Link, for the following reasons:

- MLPL is currently progressing discussions with AEMO/AusNet to connect to the Hazelwood site in Victoria and TasNetworks to connect to the Heybridge site in Tasmania. Despite the lack of clarity in the current Rules regarding HVDC connection requirements, MLPL expects the matters raised by the Commission to be appropriately addressed through the current process. The specified performance of Marinus Link will generally meet, and in some cases exceed, the new Schedule 5.3a performance standards.

- Compared to the status quo for regulated HVDC links, the new Rule introduces additional administrative and compliance requirements for MLPL, Network Service Providers (**NSPs**) and AEMO before formal offers to connect can be made. This includes, for example, expanding the range of "AEMO advisory matters" applying to a regulated HVDC network under clause 5.3.4A. While all parties are working collaboratively to agree appropriate performance standards, the current project schedule does not allow time for each party to review and revise all information exchanged to ensure strict compliance with all steps set out in this clause.

- As already noted, to achieve the timeframes for delivering Stage 1 of Marinus Link it was necessary to secure contracts for converter station equipment and cables. In contrast to MLPL's circumstances, the proposed Rule assumes that the connection requirements will assist in clarifying the project specifications. In MLPL's case, however, it is important that the technical specifications in the executed contracts are considered in determining the optimal connection arrangements. An optimal outcome is best achieved by continuing with the existing process, rather than the process envisaged by the new Rules.

- To meet the timelines for MLPL's final investment decision, the connection arrangements are expected to be completed by the end of March 2025 and executed in April 2025. MLPL is well-progressed in negotiating connection agreements with multiple TNSPs based on the existing Schedule 5.6, and any changes at this stage introduce the risk of rework and delays, which would adversely affect customers.

MLPL notes that the transitional arrangements in the draft Rule are expected to apply so that Stage 1 of Marinus Link is not subject to the new Rule. Specifically, the draft Rule proposes a transitional period which allows connection agreements to continue to be negotiated under the existing Chapter 5 until 30 October 2025, providing that a connection application has been lodged prior to the Rule commencement date, which is the case for MLPL.

While MLPL expects to benefit from the proposed transitional arrangements, they contemplate that agreement on access standards may be subject to certain conditions being satisfied. The potential for access standards to be made conditional introduces additional commercial risk for MLPL because it is

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uncertain whether the transitional provisions will apply. The potential impact of the new Rule applying to MLPL exposes customers to significant costs and loss of benefits as a result of the consequential impact on the project schedule. MLPL is therefore seeking changes to the transitional provisions to eliminate the risk that MLPL is required to apply the new Rules, as the costs of doing so will substantially outweigh any benefits.

On a separate matter, MLPL considers that it would better promote the NEO for the amended Rule to extend the same process, rights and protections to all parties who will be regulated Network Service Providers (NSPs), regardless of which party is the Connection Applicant, for the following reasons:

- Most interconnector projects, including Project Marinus, are initiated by existing NSPs. Providing the non-proponent NSP with greater rights and protections creates a disincentive on NSPs to take on the role of project proponent and increases the risk and cost to consumers of the new regulated project. For example, the new subclause (g1) of Schedule 5.6 requires one regulated NSP to grant the other an exclusion of liability without a reciprocal obligation on the incumbent NSP.

- As a non-incumbent NSP, MLPL must negotiate access standards and connection agreement terms with each of TasNetworks, AEMO and AusNet. In MLPL's experience, it has been necessary to adopt an approach more closely resembling joint planning than a traditional connection application process in order to avoid inefficient consumer outcomes, such as mutually incompatible obligations imposed by incumbent NSPs or inefficient duplication of power system modelling work.

- As well as MLPL's new HVDC link, Project Marinus includes the extension of the Tasmanian and Victorian AC transmission networks by TasNetworks, AEMO and AusNet. While the new Rule 5.3.3(g) explicitly requires MLPL to submit a connection application to each relevant NSP for MLPL's HVDC system, the process for determining performance standards and connection agreement terms for the new AC network components remains unclear. For example, if the amended Rule had applied to Project EnergyConnect, it is unclear which of the two NSPs would be regarded as the Connection Applicant. While MLPL supports the application of different technical standards to HVDC systems compared with AC networks, the NEO is best served by applying the same process and commercial protections to all regulated NSPs in a technology neutral way.

MLPL would welcome a discussion with the Commission to ensure that the new Rule does not expose customers to the risk of project delay or increased costs. MLPL considers that this clarification would be consistent with the NEO and would not undermine the intent of the new Rule or the benefits that it is expected to provide. In particular, MLPL is particularly concerned to ensure that the transitional arrangements apply to Stage 1 of Marinus Link so that inadvertent and costly project delays are avoided.

Yours sincerely,

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