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Project Marinus
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Project Marinus - Initial Feasibility Report

Meridian Energy Australia (MEA) welcomes the opportunity to comment on the Project Marinus Initial Feasibility Report (Report).

MEA owns and operates two wind farms and three hydro power stations in the National Electricity Market (NEM). MEA also operates Powershop Australia, an innovative energy retailer. With both retail and generation positions in the NEM, MEA is mindful of the challenges facing the electricity market and the need for a cohesive strategy incorporating new investment in generation and transmission to support renewables, and withdrawal of coal generation in the years ahead.

MEA acknowledges that there is a need for increased interconnection between the states as the generation mix across the NEM evolves over time. Understanding the value proposition of Project Marinus is important, as it offers unique interconnection benefits between two regions of the NEM and allows access to different demand patterns, generation assets and potential storage solutions across regions. Project Marinus will provide another reference point to measure against other prospective projects.

1. Is there enough information in this Report to understand the value Marinus Link can provide? If not, what information would you like to see in future reports?

The economic viability of Marinus Link is dependent upon several assumptions about the future generation mix of the NEM, in particular the retirement of baseload coal generation. Project Marinus economics are also influenced by the development of new generation cost assumptions such as the "Battery of the Nation" pumped hydro project and investment in new renewable generation projects. Additional information that would assist in understanding the project economics include:

- Baseload coal retirement scenarios and the impact to the project's economic feasibility.
- Detailed costs and feasibility of pumped hydro projects in Tasmania. Evidence that supports Tasmania having a significant cost advantage of new pumped hydro projects compared to other regions of the NEM as suggested in the report.
- Impact of interconnection projects in other regions of the NEM as considered in the AEMO's Integrated System Plan.
- NEM-wide regional economic benefits of Marinus Link and how these benefits should be allocated to NEM regions and customers.

2. What aspects of the report need further explanation?

- All modelling assumptions should be made available to market participants so inputs and scenarios can be verified. The assumptions and models should be presented in a spreadsheet model so they can be easily verified and understood.
- Further clarification of how cost recovery options can be implemented to protect NEM customers. For example, if the project's modelled benefits are not realised, how can it be ensured customers will not bear the excessive costs of the project.

3. Are there any fundamental concerns with our analysis in this Report? And if so, what are these concerns and how could we address them?

The report provides valuable insights into a broad range of scenarios at a high level. In determining if the project is feasible, we would expect to see rigorous economic modelling, stress testing multiple new generation and transmission scenarios across the NEM. This modelling should incorporate the items outlined in question 1 above.

4. Do you agree with our assessment that it is prudent to continue Project Marinus through to the Definition and Approvals phase? Why is that?

To date TasNetworks has undertaken various works streams to provide an initial feasibility report outlining the benefits of Project Marinus. We therefore believe TasNetworks is best placed to determine if the project should be taken through to the Definition and Approvals phase at this stage.

5. If Marinus Link provides greater benefits than costs as part of efficient transition of Australia's NEM, then what principles should be taken into account when considering:

a) who should pay to progress Marinus Link?

Meridian recognises the NEM is undergoing significant change and Tasmania has a unique set of customer demand, generation and storage resource characteristics which need to be assessed as part of the evolving NEM. There are however numerous other projects across the NEM that compete with Project Marinus as detailed in the ISP. At this point Meridian believes TasNetworks has the best understanding of the risks and benefits of the project and should fund the project accordingly.

b) who should pay for the national energy market benefits Marinus Link provides?

It is too early to determine the detailed benefits Marinus Link will provide to the NEM and NEM customers and the appropriate project funding model. We expect the RIT-T assessment process will help inform the project on such cost allocations.

c) who should pay for the broader benefits beyond the energy sector that Marinus Link provides?

It is too early to determine the detailed benefits Marinus Link will provide to the NEM and NEM customers and the appropriate project funding model.

In summary, projects such as Marinus Link and Battery of the Nation are exciting projects. However in order to justify any aspect of such projects being funded directly by electricity bill payers (for example as a regulated asset) or by tax payers (through some government fund), then one of the following conditions would need to be satisfied:

- A lack of opportunities to build dispatchable generation projects in the mainland NEM; or
- Battery of the Nation shows significant cost advantages over mainland dispatchable generation projects.

It is our view that neither of the above conditions have been met.

Should you have any queries with any part of this submission please do not hesitate to contact me.

Yours sincerely



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Meridian Energy Australia