



7 December 2020

Stephen Clark  
Project Director, Marinus Link  
TasNetworks

Submitted via email: team@marinuslink.com.au

Dear Mr Clark,

## **MARINUS LINK – SUPPLEMENTARY ANALYSIS REPORT**

Origin Energy Limited (Origin) welcomes the opportunity to comment on TasNetworks' supplementary analysis report for Marinus Link.

We consider that TasNetworks should delay the regulatory investment test for transmission (RIT-T) until at least the 2022 Integrated System Plan (ISP) outcomes are known because:

- The need for Marinus Link remains uncertain – recently announced government policies are likely to affect optimal transmission build and should be factored into the analysis through the 2022 ISP before any decision is made.
- Cost recovery issues are not yet resolved – this needs to be settled before the project can progress.
- Uncertainty around future costs remains – it would be premature to conclude the regulatory process now for a project that may not be needed until the late 2020s at the earliest.

### **The case for Marinus Link remains uncertain**

The 2020 ISP sets out the rules that will determine when Marinus Link should be built. It states that stage 1 of the interconnector should be fast tracked if the step change scenario emerges and that cost recovery issues should be resolved before the project can progress.

It is unclear at this point that the step change scenario, as defined in the 2020 ISP, will eventuate. In particular, recently announced government policies (such as the NSW infrastructure roadmap and Victorian renewable energy zones announcement) will have implications for the location and competitiveness of generation in the system.

For example, it is likely that more renewables and storage will be built in Victoria and NSW, and at an earlier date than projected in the 2020 ISP. The additional generation will likely have an impact on import and export flows across the NEM, as well as on optimal transmission build – it may reduce or delay the need for Marinus Link. Given the significance of the recent government announcements, we consider that the emergence of the step change scenario is no longer an appropriate indicator of when the link may be required.

In addition, cost recovery issues are yet to be resolved, with consultation on options to address the problems having yet to commence. We understand that changes might involve mainland consumers, especially from Victoria and NSW, bearing most of the costs of Marinus Link as they were previously identified as the main beneficiaries. However, in light of the recent government announcements, it is unclear who the main beneficiaries would be and how this would affect cost recovery issues. We consider the focus should be on resolving these issues.

### **TasNetworks should pause the regulatory process until at least 2022**

Given uncertainty around the need for Marinus Link, we reiterate that TasNetworks should delay the RIT-T and re-issue the project assessment draft report (PADR) once better information is available.

For example, the 2022 ISP is expected to capture the recently announced government policies and provide updated scenarios, inputs and assumptions as well as new projections of the future generation mix and timing of transmission projects. Cost recovery issues may also have been resolved by then.

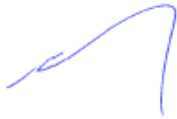
In any case, we consider it is inappropriate to finalise the RIT-T now for a project that is not required until 2027 at the earliest (for stage one and only if the step change scenario eventuates, which as noted, remains uncertain). Finalising the process too early is likely to require significant revisions closer to the build date.

As an example, the Project EnergyConnect RIT-T found net benefits of \$924 million, which were revised down to \$269 million at the approval stage due to changed inputs and assumptions. Net benefits were then lowered again to \$148 million at the contingent project application stage primarily due to higher costs.

TasNetworks' supplementary analysis finds weighted net benefits of \$864 million (reduced from \$1.7 billion in the PADR) for an estimated capital cost of \$3.2 billion. In addition, assuming a higher capex of \$4.1 billion halves the net benefits in the Central scenario (if built in the late 2020s). Given growing concerns around transmission costs, particularly for large projects such as Marinus Link, we urge TasNetworks to be transparent about any potential cost increases to ensure that a robust determination of net benefits can be made. Delaying the RIT-T until closer to when the project is needed would help address some of the uncertainty around costs.

Should you have any questions or wish to discuss this submission further, please contact Sarah-Jane Derby at Sarah-Jane.Derby@originenergy.com.au or by phone, on (02) 8345 5101.

Yours sincerely



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