

27 March 2019



Ms Bess Clark
General Manager Project Marinus
TasNetworks
PO Box 606
MOONAH TAS 7009

By email: projectmarinus@tasnetworks.com.au

Dear Ms Clark *Bess*

RE: Project Marinus – Initial Feasibility Report

Aurora Energy welcomes the opportunity to provide feedback on the Initial Feasibility Report (IFR) for Project Marinus, and acknowledges the engagement undertaken by TasNetworks throughout the feasibility assessment process to date.

Aurora Energy supports TasNetworks exploring the merits of a second Bass Strait interconnector, recognising that the final feasibility study and business case will confirm whether or not the project should proceed. However, given the substantial (but as yet not fully quantified) cost of Marinus Link, as well as the limitations of the current National Electricity Market (NEM) regulated network pricing framework in appropriately allocating costs to beneficiaries, Aurora Energy is concerned that there could be a material impact on Tasmanian commercial and residential customer prices without commensurate benefit.

Aurora Energy notes that the IFR's economic modelling shows that the majority of the customer benefit of Marinus Link flows to mainland NEM regions. Given this finding, Aurora Energy is of the strong view that the framework to recover the costs of Marinus Link should fairly allocate costs to those who benefit from its services, and that Tasmanian customers should not bear the cost of providing benefits to the broader NEM for a disproportionate return. In this context, Aurora Energy welcomes TasNetworks' position that Marinus Link should only proceed as a regulated service if regulated pricing outcomes recognise that its benefits flow principally to mainland NEM customers.

Aurora Energy also supports TasNetworks' commitment to actively seek modification of the existing regulated service pricing framework and/or appropriate financial contributions to support the project before proceeding. The Tasmanian Government's position that "*unless costs can be appropriately allocated to beneficiaries – or at least not allocated to Tasmanian customers – Tasmania will not be able to progress Marinus Link*" is also noted and supported in this regard.¹

The IFR states that the estimated cost of Marinus Link excludes the cost of Tasmanian network upgrades from Palmerston to Sheffield (estimated at \$117 million)² on the basis that this was identified as a contingent project in TasNetworks' 2019-24 Revised Revenue Proposal and is expected to be triggered independently of, and prior to, Marinus Link. However, given that Marinus Link remains a trigger for this project, Aurora Energy recommends that the costs of these transmission augmentations should be included in the estimated cost of Marinus Link until such time as this contingent project is independently triggered.

¹ Department of State Growth (2019). *Marinus Link and Battery of the Nation current situation assessment*, p. 19.

² TasNetworks (2019). *Project needs analysis. Contingent Project: Sheffield to Burnie 220 kV augmentation*.

Based on the above points, it is imperative that TasNetworks, in undertaking its Final Feasibility Study and Business Case assessment:

- maintains its commitment that Marinus Link should only proceed as a regulated service if regulated pricing outcomes recognise that its benefits flow principally to mainland NEM customers;
- fulfils its stated commitment to actively seek modification of the existing regulated service pricing framework and/or appropriate financial contributions to support the project;
- includes in its assessment a holistic, combined evaluation of all costs and benefits associated with Marinus Link, including any associated Tasmanian transmission upgrade projects that may be triggered by a commitment to proceed; and
- undertakes a full and transparent assessment of the quantum of costs (if any) which should be recovered from Tasmanian customers, as well as their ability and willingness to pay.

Aurora Energy would be pleased to further engage with TasNetworks regarding the above. If you have any questions regarding this submission please contact Hayden Moore, Regulatory & Policy Manager at hayden.moore@auroraenergy.com.au.

Yours sincerely

A handwritten signature in blue ink that reads "Kardos". The signature is written in a cursive style and is enclosed within a hand-drawn oval.

Rebecca Kardos
Chief Executive Officer