Marinus Link Pty Ltd
PO Box 606 Moonah
Tasmania
Australia 7009

16 February 2023

Daniel Westerman
Chief Executive Officer
Australian Energy Market Operator
Via email: ISP@aemo.com.au

Dear Mr. Westerman,

RE 2023 Draft Inputs, Assumptions and Scenarios Report

Marinus welcomes the opportunity to respond to the Australian Energy Market Operator's (AEMO) Draft 2023 Draft Inputs, Assumptions and Scenarios Report (Draft IASR).

Marinus Link Pty Ltd (MLPL) intends to provide prescribed transmission services with the commissioning of Project Marinus. Project Marinus is currently progressing through its design and approvals stage, which will culminate in a final investment decision in relation to the project comprising the Marinus Link interconnector, being progressed by MLPL, and the North West Transmission Developments, being progressed by Tasmanian Networks Pty Ltd (TasNetworks).

In October 2022, the Australian and the Tasmanian government signed a partnership to jointly fund the critical Marinus Link transmission project, delivering renewable energy generation and storage for the mainland through Tasmania's Battery of the Nation projects, and unlocking the next wave of renewable energy development in Tasmania, attracting investment and jobs in the state. The letter of intent signed between the governments marked the first investment from the Rewiring the Nation plan framework. This announcement ensures that the cost allocation issue associated with the project is resolved with concessional financing ensuring that will reduce the annual costs of Project Marinus to electricity customers by up to half.

Support for the proposed scenarios

MLPL supports the evolution of the scenarios for the 2024 ISP, with the recognition of the Australian Government's commitments to net zero emissions by 2050 and updated commitments to the Paris Agreement, including commitment to achieving an 82% share of renewable energy by 2030. Compared to the 2022 ISP, MLPL also welcomes the scale of hydrogen production in line with current energy exports for the Hydrogen Superpower/Green Export scenario.

Aligned with the treatment of Rewiring the Nation projects

The Draft IASR proposes to include all projects significantly funded through the Rewiring the Nation (RtN) framework. MLPL supports this view since the objective of the RtN framework is to deliver a modern electricity grid at lowest cost, with more jobs and investment, while achieving the decarbonisation objectives

of the government. MLPL welcomes AEMO's engagement with the Clean Energy Finance Corporation (CEFC) and the Departments to implement it in the ISP. MLPL is also willing to assist AEMO in case of better understanding the treatment of Marinus Link and North West Transmission Developments (NWTD) for ISP modelling purposes.

Feedback on the Draft 2022-23 GenCost report

Regarding the GenCost report, MLPL agrees with the CSIRO on the forecast capital costs increase for most generation technologies. This is consistent with the discussions that we have had with prospective renewable energy developers and governments. Owing to the long lead time associated with renewable development projects, the assumption that the capital costs revert to 'normal' by 2027 could be reassessed. The basis for this suggestion is based on the following factors:

- Equipment contracts are locked at least 2 - 3 years before commissioning; and,
- Owing to the global need to decarbonise the economy, the demand for raw materials required in the manufacturing of renewable generation and storage is expected to remain robust.

In such circumstances, assuming a reduction in capital cost in real terms within the next five years may be challenging.

Secondly, the increase in capital costs for large scale PV appears to be lower than other generation technologies such as wind and open cycle gas generators.

Finally, MLPL notes and is reassured that the Draft GenCost report continues to identify the following:

- Tasmanian pumped hydro solution remains the best value proposition for long duration storage; and,
- Renewables (wind and solar) in combination with transmission, storage, and peaking gas capacity remains the least cost solution to navigate through this energy transition. MLPL reached similar conclusion in the Project Marinus Regulatory Investment Test for Transmission (RIT-T).

Should you have any questions, please contact Prateek Beri, Head of Economics and Pricing, via email on prateek.beri@marinuslink.com.au.

Thank-you,

Stephen Clark

CEO (Acting), Marinus Link