30 May 2025

# JOINT SELECT COMMITTEE ON ENERGY MATTERS – QUESTIONS ON NOTICE

***Request from the Honourable Ruth Forrest and Ms Janie Finlay MP re AEMO assumptions***

The market benefit modelling completed by Ernst and Young (EY) and provided to the committee alongside MLPL's initial submission is consistent with the inputs and assumptions in the Australian Energy Market Operator's (AEMO) 2023 Input, Assumptions and Scenarios Report (IASR).

The IASR is a foundational document to support long-term planning for the National Electricity Market (NEM). It is updated biennially and underpins the development of AEMO's Integrated System Plan (ISP), which is released every two years and most recently in 2024.

The IASR outlines plausible future pathways for the energy system, reflecting different levels of decarbonisation, technology uptake and policy ambition. It contains quantitative data on demand forecasts, fuel prices, technology costs, generator performance and retirement schedules and emissions trajectories.

It also includes quantitative and qualitative expectations about consumer behaviour (e.g. Electric Vehicle uptake and rooftop PV adoption), economic growth, population trends and climate change impacts (e.g. temperature, rainfall).

The 2023 IASR Workbook contains the quantitative data underpinning these inputs and assumptions and is available on AEMO's website here.

***Request from Mr Vica Bayley MP re cost-benefit calculations***

The life of Project Marinus' AC (cable and converters) and DC (NWTD network augmentation) assets are rated at 60 and 40 years, respectively. However, AEMO's forecast data is only available to about 2050, which creates a potential mismatch between:

- the assessment of the project benefits using AEMO's forecast data, which covers the period to approximately 2050; and
- the project costs, which covers the period to 2070 and beyond.

To provide a more accurate assessment of the project's economic value, the project costs and benefits need to be considered over the same timeframe (i.e., 'a truncated study period'). For example, it would be incorrect to attribute the total project costs to the 20-year study period, when we know the assets will operate well beyond 20 years.

To ensure that the costs and benefits are assessed over the same period, we have expressed the project costs in annual terms (the annualised cost approach). This approach allows us to compare the present value of annual benefits and the present value of annual costs in each year to 2050 and to calculate the total net benefits over the study period.

As the project will operate beyond 2050, it follows that there are project costs and benefits beyond that date. For modelling purposes, our approach does not include any allowance for the net benefits that are likely to arise beyond 2050, even though we consider it to be highly likely that net benefits will continue. This is a more conservative approach compared to the terminal value benefits approach.

One consequence of matching the costs and benefits over the period to 2050 is that the project costs appear to be lower ($2.4 billion) than the total project expenditure ($4.8 billion). This is not an error. The difference reflects the fact that we are modelling the project's costs and benefits over the truncated study period, which is shorter than the asset's life.

As already noted, it is appropriate that the project costs that are attributable to this shorter period is less than the total project expenditure. The shortening of the study period is a standard approach for economic analysis of long-lived assets, which has been adopted in other recent Regulatory Investment Test for Transmission (RIT-Ts) and is consistent with

good practice in relation to conducting economic evaluations.

More information is included in Appendix 3 of the Project Marinus PACR which is available on the MLPL website here.

***Request from Mr Vica Bayley MP re project financing***

MLPL anticipates that its shareholders will, subject to them making a positive final investment decision, finance Stage 1 of Marinus Link through a combination of 20% equity and 80% concessionally financed debt via the Clean Energy Finance Corporation.

Each of MLPL's shareholders is expected to be responsible for providing equity funding in proportion to their shareholding, namely Commonwealth 49%, Victoria 33.3% and Tasmania 17.7%.

On the above basis, and assuming a shareholding of 17.7% and MLPL's current (October 2024) cost estimate of $3.86 billion to construct Stage 1, Tasmania could be expected to contribute a total equity amount of $137 million towards the construction of Stage 1.

Publicly available ASIC records confirm that, as at 27 May 2025, MLPL has issued share capital of 315,993,189 ordinary shares with a fully paid amount of $315,993,189.

The shares are held by MLPL's shareholders as follows:

| Shareholder | Shareholding in MLPL as at 27 May 2025 |
|---|---|
| Commonwealth | 154,836,663 |
| Victoria | 105,225,731 |
| Tasmania | 55,930,795 |
| **Total ordinary shares held** | **315,993,189** |