11 April 2024

Christian Dunk

Australian Energy Market Commission
Level 15, 60 Castlereagh St
Sydney NSW 2000

Dear Mr Dunk,

Submission to the *Providing flexibility in the allocation of interconnector costs* Consultation Paper

Thank you for the opportunity to make a submission on the Australian Energy Market Commission's ('**AEMC**') *Providing flexibility in the allocation of interconnector costs* Consultation Paper.

The Clean Energy Finance Corporation ('**CEFC**') is a specialist investor with a deep sense of purpose: to invest as Australia's 'green bank' to help achieve our national goal of net zero emissions by 2050. The CEFC supports the development of a secure, reliable and affordable electricity system whilst lowering emissions through its investment activities. The Australian Government has allocated $19 billion to the CEFC under its Rewiring the Nation ('**RTN**') program to help spearhead the necessary transformation of Australia's electricity grid infrastructure.

This proposed rule change would enable State Governments to agree on an allocation of transmission interconnector costs among relevant jurisdictions that would differ from the standard allocation in the rules. In cases where the rules are unclear on the allocation of these costs—such as for interconnectors that span Commonwealth waters—the proposed rule would develop a pathway for resolving the uncertainty.

Supporting proposed financing arrangements for Marinus Link

Marinus Link is an important Integrated System Plan ('**ISP**') actionable project that will help underpin Australia's energy transition. Marinus Link differs from many interconnectors because it is being developed by a single project proponent, spans Commonwealth waters and connects jurisdictions with materially different consumer base sizes, which adds uncertainty over the application of the cost allocation framework contained within the rules currently.

The CEFC is highly supportive of the effect the proposed rule change would have on Marinus Link. It is proposed that the CEFC will support Marinus Link with a concessional loan for approximately 80 per cent of the project cost under RTN, subject to its investment approvals.[1] This proposed rule is a critical step in determining the sources

[1] Prime Minister of Australia, *Rewiring The Nation Plugs In Marinus Link And Tasmanian Jobs,* 19 October 2022 <https://www.pm.gov.au/media/rewiring-nation-plugs-marinus-link-and-tasmanian-jobs>

of the project's revenues. Clear revenue sources are needed to provide certainty that the project will be able to meet its financial obligations including debt repayments. This consideration is fundamental for financiers of any large infrastructure project, including the CEFC in the case of Marinus Link. To that end, and consistent with the proposed rule change request, it is also important that any agreement between State Governments that lock in a cost allocation is legally binding, and that the total cost allocation contained in the agreement equals to 100 per cent of project costs.

The proposed rule applies to interconnectors more broadly. An important consideration of the CEFC in its role within transmission is accelerating the timely delivery of interconnectors so that the maximum benefits from the ISP are realised for electricity consumers (maximising net benefits). To that end, the rule should balance an ability to agree a new cost allocation (where this overcomes a barrier to timely project delivery) without adding an additional step or source of contention (where the interconnector would have been delivered in a timelier manner under the current cost allocation framework).

Concessional financing agreements

The *Sharing Concessional Finance Benefits with Consumers* rule change that was completed by the AEMC in March 2024 enables government funding bodies (such as the CEFC) to pass through the benefits of concessional finance to electricity consumers. This will put downward pressure on network infrastructure capital cost recoveries and is supported by the CEFC.

If the CEFC enters a concessional finance agreement with a TNSP, it would generally be expected that the benefits of that concessional finance would be passed through to consumers within that TNSP's jurisdiction. Where a concessional finance agreement was made ahead of a State Government cost allocation agreement, the outcome could be reflected in that cost allocation agreement. However, should a concessional finance agreement be made after the State Government agreement, there may need to be an ability to overlay the concessional finance arrangements on top of the cost allocation agreement. That is, the cost allocation percentage agreed in the State Government agreement may need to be adjusted to ensure that the concessional benefit is directed towards jurisdictions as intended.

We value the opportunity to provide input into this process and look forward to the opportunity to engage further with the AEMC. Should you wish to discuss this submission further, please contact Frans Jungerth, Associate Director - RTN, frans.jungerth@cefc.com.au.

Sincerely,

Ian Learmonth
Chief Executive Officer