

Support for Project Marinus & the delivery of Tarraleah Hydro Power Scheme Redevelopment

FEDERATION FUNDING AGREEMENT - ENVIRONMENT

Table 1: Formalities and operation of schedule	
Parties	Commonwealth of Australia (Commonwealth) State of Tasmania (Tasmania)
Duration	This Schedule is expected to expire on 30 June 2025.
Purpose	<ol style="list-style-type: none"> 1. This schedule will support the Australian Government's commitment to providing reliable, secure and affordable energy to all Australians through the delivery of two Tasmanian energy projects expected to benefit the National Energy Market (NEM). <ol style="list-style-type: none"> a. The delivery of Marinus Link and North West Transmission Developments (NWT D) (collectively referred to as Project Marinus).¹ Project Marinus is identified as a high priority, actionable project in the Australian Energy Market Operator's (AEMO) Draft 2022 Integrated System Plan (ISP). b. The delivery of the Tarraleah Hydro Power Scheme Redevelopment (Tarraleah). The redevelopment of the Tarraleah hydropower scheme is a cornerstone project under the Battery of the Nation (BOTN) initiative, shortlisted for support through the Underwriting New Generation Investments (UNGI) program. The funding provided in this Schedule will focus on the Upgrade Works required for Tarraleah as well as progression of key documentation to reach a Final Investment Decision (FID) to enable consideration of Tarraleah through the UNGI program. 2. This schedule recognises that significant investment is required by the Commonwealth and Tasmanian Governments to bring both projects to a FID and ensure the delivery of reliable affordable electricity prices for consumers in the NEM.

¹ In accordance with *Project Marinus naming conventions, acronyms and terms*, collectively, Marinus Link and North West Transmission Development are Project Marinus. Marinus Link and NWT D will be referred to by their full name in the first mention, and thereafter is referred to as 'Project Marinus.'

<p>Estimated financial contributions</p>	<p>The Commonwealth will provide a total financial contribution to Tasmania of up to \$140.0 million over four years to 2024-25 in respect of this Schedule (\$75.0 million for Project Marinus and \$65.0 million for Tarraleah). This is in addition to the previously provided \$56.0 million grant to support Design and Approvals works for Project Marinus.</p> <p>All payments are GST exclusive. Any further funding will be negotiated in good faith as required.</p> <hr/> <p>Table 1</p> <table border="1"> <thead> <tr> <th>(\$ million)</th> <th>2021-22</th> <th>2022-23</th> <th>2023-24</th> <th>2024-25</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Estimated total budget</td> <td>9.8</td> <td>48</td> <td>44.2</td> <td>38</td> <td>140</td> </tr> <tr> <td colspan="6">Project Marinus</td> </tr> <tr> <td><i>Less estimated National Partnership Payments</i></td> <td>0.0</td> <td>35.0</td> <td>25.0</td> <td>15.0</td> <td>75.0</td> </tr> <tr> <td colspan="6">Tarraleah</td> </tr> <tr> <td><i>Less estimated National Partnership Payments</i></td> <td>9.8</td> <td>13.0</td> <td>19.2</td> <td>23.0</td> <td>65.0</td> </tr> </tbody> </table>	(\$ million)	2021-22	2022-23	2023-24	2024-25	Total	Estimated total budget	9.8	48	44.2	38	140	Project Marinus						<i>Less estimated National Partnership Payments</i>	0.0	35.0	25.0	15.0	75.0	Tarraleah						<i>Less estimated National Partnership Payments</i>	9.8	13.0	19.2	23.0	65.0
(\$ million)	2021-22	2022-23	2023-24	2024-25	Total																																
Estimated total budget	9.8	48	44.2	38	140																																
Project Marinus																																					
<i>Less estimated National Partnership Payments</i>	0.0	35.0	25.0	15.0	75.0																																
Tarraleah																																					
<i>Less estimated National Partnership Payments</i>	9.8	13.0	19.2	23.0	65.0																																
<p>Overarching additional Items</p>	<ol style="list-style-type: none"> 1. The Commonwealth will contribute a maximum of \$140.0 million (\$75 million towards Marinus and \$65 million towards Tarraleah) towards total estimated project costs to FID. 2. The Tasmanian contribution will provide \$133 million (\$75 million towards Project Marinus and \$58 million towards Tarraleah) to finalise the works for both projects to FID. <ol style="list-style-type: none"> a. The funding profile of the State's \$75 million contribution for Project Marinus will be subsequently agreed between the Parties. 3. For both projects, the Commonwealth commitment is contingent on the following: <ol style="list-style-type: none"> a. The Commonwealth and Tasmania agreeing to establish governance arrangements with structure and processes for decision making, accountability, control and management of this grant, including: <ul style="list-style-type: none"> ▪ An integrated governance model (see Attachment C) that includes a number of new governance forums playing an important and growing oversight role supporting decision making. <ul style="list-style-type: none"> • A <i>Joint Ministerial Governance Committee (JMGC)</i> – Co-chaired by the Commonwealth and State Energy Ministers, the JMGC will convene on a quarterly basis to provide strategic context, project review and oversee project milestone payments. Hydro Tasmania, TasNetworks and 																																				

MLPL would be observers, and Tasmania will procure that they each report to the JMGC. Terms of Reference are to be agreed between the parties.

- *A Joint Senior Officials Committee (JSOC)* – The JSOC will convene on a quarterly basis, or as requested by either party, to review project delivery, share project information and monitor and address project risks. Terms of Reference are to be agreed between the parties. Meetings to be held early in each quarter or as/when requested by the Commonwealth.
 - JMGC and JSOC Secretariat functions to be delivered by Tasmania.
 - JMGC and JSOC to be supported by an Industry Reference panel procured and managed by the Commonwealth.
 - Stringent reporting requirements to enable the efficient operation of the governance forums, including:
 - Tasmania will procure that TasNetworks, MLPL and Hydro Tasmania provide regular reporting as required by the Commonwealth, including in relation to Table 2 below.
 - *Monthly Project / Financial Reporting* – Tasmania will provide progress and financial reports to Commonwealth officials by the 20th day of each month reflecting information reasonably requested by the Commonwealth, including summarising progress, emerging risks, expenditure and any significant contracts, undertakings or major departures from project scope.
- b. Project delivery milestones being met (set out in table 2). This will be assessed by Commonwealth officials and actively monitored by the JMGC and JSOC.
- Milestones for projects, their relationship to outputs, expected completion dates, relevant reporting dates and expected payments are set out in Table 2 and further detailed at Attachments A and B.
 - The Commonwealth will make payments subject to performance reports being provided by Tasmania demonstrating the relevant milestone has been met, to the Commonwealth's satisfaction.
 - The Commonwealth may seek clarification or ask that Tasmania provides additional information to support its assessment of the milestone.
 - Further details on payment of Milestones for Project Marinus are set out in the Project Marinus section of this Schedule.
 - Further details on payment of Milestones for Tarraleah are set out in the Tarraleah section of this Schedule.

- c. Reporting to the JMGC, JSOC and Commonwealth in advance of significant contracts, undertakings or activities which would have a material impact on the business case for the projects before or after FID, as well as ongoing budget transparency with an 'open book' approach.
 - d. An account control and reporting framework will be established to the satisfaction of the Commonwealth and in collaboration with Tasmania, ensuring that all funds are used only by the relevant entities for works within the agreed project scope (at Attachment A and B). Relevant entities are limited to:
 - TasNetworks – for NTWD component of Project Marinus
 - Marinus Link Pty Ltd (MLPL) – for Marinus Link component of Project Marinus
 - Hydro Tasmania – for Tarraleah upgrade works
4. The Commonwealth commitment is contingent on:
- a. Tasmania achieving each Milestone to the Commonwealth's satisfaction by the relevant due date in Table 2. Tasmania is required to give notice to the Commonwealth of an actual or anticipated failure to achieve a Milestone within 10 business days of becoming aware of the actual or anticipated failure.
 - b. If Tasmania is required to give notice to the Commonwealth of an actual or anticipated failure to achieve Milestone by the relevant due date in Table 2, then it must at the same time as giving that notice:
 - discuss in good faith with Commonwealth officials and the JSOC options to achieve any future Milestones it considers are unlikely to be met by the relevant due date in Table 2; and
 - as required, where a Milestone date has not been met, or a future Milestone date will not be met, submit to Commonwealth officials a Cure Plan.
 - c. If, when considering the issues in good faith, Commonwealth JSOC members do not approve a Cure Plan, then Tasmania will submit a revised Cure Plan within 10 business days of being notified that the plan is not approved.
 - d. If Commonwealth JSOC members do not approve a revised Cure Plan, the Commonwealth may at its sole discretion either:
 - direct Tasmania to submit a further revised Cure Plan; or
 - elect to treat the failure to submit a satisfactory Cure Plan as a failure to meet a Milestone, in which case the Commonwealth is not obliged to provide the corresponding grant amount.
 - A Cure Plan means a plan to achieve completion of works by the date scheduled for completion, in line with the Project Stages and Key Deliverables set out at Attachment A, and to mitigate the risk of future Milestones not being achieved by their relevant dates.

Project Marinus	
Additional Items	<ol style="list-style-type: none"> 1. The Commonwealth and Tasmania have entered into an MOU to progress the design and approvals (D&A) phase of Project Marinus (comprising the Marinus Link and the NWTD) to FID. The provision of this funding does not commit the Commonwealth to provide further support to Project Marinus in addition to the requirements of this Schedule. <ol style="list-style-type: none"> a. Should the State not progress the Marinus Link scope of the project within a reasonable timeframe and subject to the Commonwealth providing comfort that Tasmanian electricity customers will not bear significant, adverse price impacts as a result of the project proceeding, then the State and the Commonwealth will reach mutually agreeable terms with respect of an option to transfer the Marinus Link project assets to the Commonwealth, provided that the price for transfer to the Commonwealth of assets comprising the Marinus Link scope of the project does not exceed the acquisition costs of project assets less grants already paid. b. The Commonwealth and Tasmania agree that the value of the Commonwealth and Tasmanian grants paid will not be recoupable through the regulatory framework, so as to ensure the benefits of the grants are received by consumers. c. If the project is sold at any time, any sale proceeds, net of sale costs, would be distributed to the Commonwealth and the State in proportion to their respective financial contributions to the project.
Tarraleah Hydro Power Scheme Redevelopment	
Additional terms	<ol style="list-style-type: none"> 1. The Commonwealth funding will contribute to progress of works associated with Tarraleah. The provision of this funding does not commit the Government to provide further support to Tarraleah through the UNGI program. Any underwriting support will be considered and assessed separately to this Agreement.

Table 2: Performance requirements, reporting and payment summary

Output	Milestones and Reporting	Report due	Payment (\$ million)
Project Marinus (milestones and reporting is further detailed at Attachment A)			
Updated Project Baseline documentation and agreed Governance arrangements	<ul style="list-style-type: none"> • Completion and delivery of updated project documentation approved by the MLPL and TasNetworks Boards, that includes: <ol style="list-style-type: none"> a. Revised and approved D&A Phase Scope and b. Detailed Project Plan and timeline; c. Revised Budget to FID (D&A phase cost estimate); d. Risk Management Plan; e. Stakeholder and Communication Engagement Plan. • Completion of an account control and reporting framework to the satisfaction of the Commonwealth, ensuring all funds are used only by the relevant entities for works within the agreed project scope (Attachment A to this schedule). 	4 weeks before first meeting of JSOC (estimate Q3 2022) First payment no earlier than July 2022	\$5
Submission of fair cost allocation rule change to the Australian Energy Market Commission (AEMC) for the Project	<ul style="list-style-type: none"> • A fair cost allocation rule change will be submitted to the AEMC. • The submission of the rule change will be supported by the Commonwealth and State. 	No later than Q3 2022	\$5
JMGC review and comment of Project Procurement Strategy (HVDC Procurement Plan)	<ul style="list-style-type: none"> • Delivery of Project Procurement Strategy (HVDC Procurement Plans) to the Commonwealth and JMGC, with detailed tender process schedule for HVDC procurement • Provision of information to the industry reference panel to enable the independent technical assessment of procurement strategy. • Project Procurement Strategy provided to Commonwealth six weeks in advance of JSOC meeting 	No later than March 2023	\$12.5
JMGC review and comment of post round one tender report to the Commonwealth	<ul style="list-style-type: none"> • Delivery of a report summarising round one tender responses for Marinus Link. 	No later than March 2023	\$12.5
Regulatory approvals in place and revenue determination submitted to the AER	<u>Revenue pathway</u> <ul style="list-style-type: none"> • Marinus Link scope revenue proposal lodged with the AER 	No later than July 2023	\$15.0
	<u>Regulatory</u> <ul style="list-style-type: none"> • Marinus Link scope environmental approvals, Offshore license, Victorian and Tasmanian Transmission Licenses in place <u>Revenue pathway</u> <ul style="list-style-type: none"> • Submission of the Marinus Link scope revised revenue proposal to the AER 	No later than June 2024	\$10.0
Satisfaction of consultation with Commonwealth, Completion of Business Case / FID taken	<ul style="list-style-type: none"> • Delivery of Business case with a FID decision. • Delivery of final tender report. 	No later than December 2024	\$15.0

Table 2 (continued): Performance requirements, reporting and payment summary

Output	Milestones and Reporting	Report due	Payment (\$ million)
Tarraleah (milestones and reporting is further detailed at Attachment B)			
Schedule Agreement Execution	<ul style="list-style-type: none"> Schedule Agreement signed by Commonwealth and Tasmania 		\$9.8
FID Progress Package 1	<ul style="list-style-type: none"> Delivery of FID Progress Package 1 and associated evidence to the Commonwealth 	1 December 2022	N/A
Completion of Upgrade Works Package A	<ul style="list-style-type: none"> Delivery of Upgrade Works Package A Invoices corresponding to Upgrade Works Package A costs (total of Commonwealth and Tasmania payments) Provision of an embedded owner's engineer or independent engineers report confirming completion of Upgrade Works Package A to enable the Commonwealth to undertake independent verification of completion 	16 June 2023	\$13.0
FID Progress Package 2	<ul style="list-style-type: none"> Delivery of FID Progress Package 2 and associated evidence to the Commonwealth 	23 December 2023	N/A
Completion of Upgrade Works Package B-I	<ul style="list-style-type: none"> Delivery of Upgrade Works Package B-I and associated evidence Invoices corresponding to Upgrade Works Package B-I costs (total of Commonwealth and Tasmania payments) Provision of an embedded owner's engineer or independent engineers report confirming completion of Upgrade Works Package A to enable the Commonwealth to undertake independent verification of completion 	17 May 2024	\$19.2
Completion of Upgrade Works Package B-II	<ul style="list-style-type: none"> Delivery of Upgrade Works Package B-II and associated evidence Invoices corresponding to Upgrade Works Package B-II costs (total of Commonwealth and Tasmania payments) Provision of an embedded owner's engineer or independent engineers report confirming completion of Upgrade Works Package A to enable the Commonwealth to undertake independent verification of completion 	16 May 2025	\$11.8
Completion of Upgrade Works Package C	<ul style="list-style-type: none"> Delivery of Upgrade Works Package C and associated evidence Invoices corresponding to Upgrade Works Package C costs (total of Commonwealth and Tasmania payments) Provision of an embedded owner's engineer or independent engineers report confirming completion of Upgrade Works Package A to enable the Commonwealth to undertake independent verification of completion 	16 May 2025	\$11.2

Attachment A

Project Marinus – Project Stages and Key Deliverables

TasNetworks and MLPL are currently working on updates to a revised schedule. Upon MLPL Board approval a revised schedule will be included below as Attachment A.

Tarraleah – Project Stages

To progress Tarraleah, essential works will be delivered in three Construction Works packages as set out below. The total funding for each stage/package includes both Commonwealth and Tasmanian government contributions.

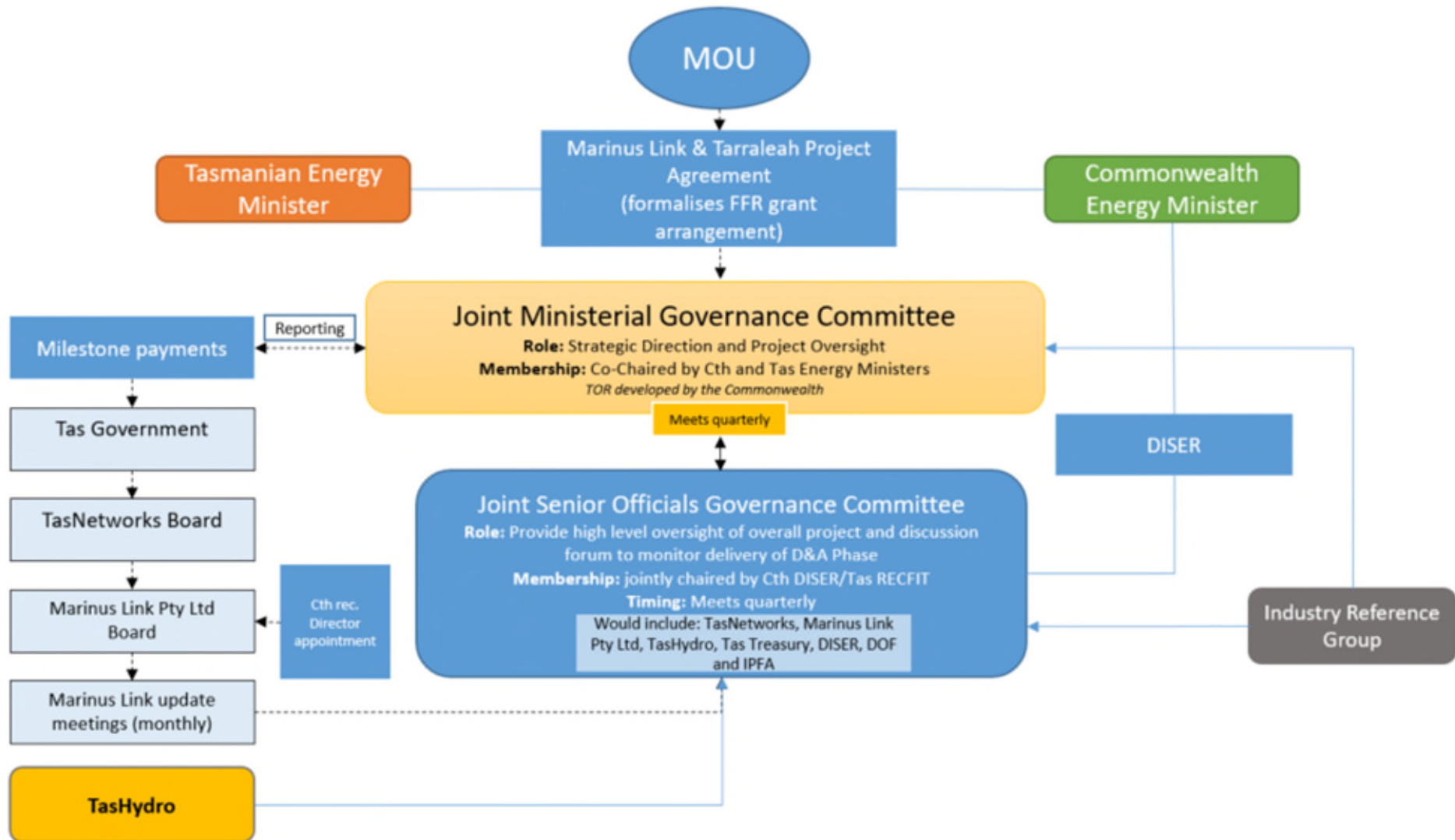
Package	Output(s)	Dates	Total Funding (\$ million)
Upgrade Works Package A	Design and specification, procurement, approvals, construction and commissioning of: <ol style="list-style-type: none"> I. Lake King William intake coffer dam, intake excavation and access II. Lake King William tunnel downstream portal and access III. Mossy Marsh dam upgrade, emergency spillway and access IV. Communications and power to Lake King William intake and tunnel portal sites 	2021 – June 2023	\$22.0
Upgrade Works Package B (B-I, B-II)	Design and specification, procurement, approvals, construction and commissioning of No. 3 Pipeline works, including: <ol style="list-style-type: none"> I. Site access, establishment and services II. Preparation of construction area along No. 3 Pipeline route Lake King William tunnel and No. 3 pipeline preparation (B-I) III. Lake King William intake structure and excavation ground support (B-II) 	2021 – June 2025	\$56.5
Upgrade Works Package C	Design and specification, procurement, approvals, construction and commissioning of flexible scope items adapted to actual project development requirements, including: <ol style="list-style-type: none"> I. further site preparation II. road improvements III. site-wide comms and power IV. Lake King William intake access channel V. Mossy Marsh Pond control structure VI. construction camp works. 	2021 – June 2025	\$20.0

Documentation required to progress Tarraleah to FID and enable consideration of the project through the UNGI program is set out in the table below:

Package	Outputs	Dates	Total Funding (\$ million) (Tasmania contribution)
FID Progress Package 1	Delivery of the following to the Commonwealth: <ul style="list-style-type: none"> • List of all development activities and costs, including proof of funds for remaining development costs • Draft construction and operational plans • Overall proposed project budget including capex and opex • Risk management plan • Confirmation of commencement of environmental and 	01/12/22	\$12.5

	<p>development approvals (NOI and/or EPBC Referral)</p> <ul style="list-style-type: none"> • Update of grid connection status, including grid studies and submission of grid connection application if required • Draft water management plan • Proposal for financial structure 		
FID Progress Package 2	<p>Delivery of the following to the Commonwealth:</p> <ul style="list-style-type: none"> • Final Project budget confirmed for construction and operation of the scheme, including a detailed financial model • Final configuration and OEM selected • Agreed Procurement and Construction contract term sheets • Development approvals achieved • Environmental approvals achieved • Water management plan complete • Confirmation of grid connection • Independent market and asset modelling report and price curves • Confirmation of financial structure and lenders Service agreement (where applicable based on financial structure) 	31/12/23	\$12.5


Project Marinus Link & Tarraleah Hydro Power Scheme - Integrated Governance Model



The Parties have confirmed their commitment to this schedule as follows:

Signed for and on behalf of the Commonwealth
of Australia by

Signed for and on behalf of the
State of Tasmania by



The Honourable Angus Taylor MP
Minister for Industry, Energy and Emissions
Reduction

[Day] [Month] [Year]

3 April 2022



The Honourable Guy Barnett MP
Minister for Energy and Emissions Reduction

[Day] [Month] [Year]

3 April 2022