

Support for Project Marinus and 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 2030.
Purpose	<ol style="list-style-type: none"> 1. This schedule supersedes the previous schedule titled “Support for Project Marinus & the delivery of Tarraleah Hydro Power Scheme Redevelopment” signed by the Hon Chris Bowen MP, Minister for Climate Change and Energy, and the Hon Guy Barnett MP, Minister for Energy and Renewables. 2. 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) and related support to address certain associated network costs: <ol style="list-style-type: none"> a. The delivery of Marinus Link and North West Transmission Developments (NWTB) (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) 2024 final 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 for Hydro Tasmania. 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). c. Additional support for network cost reductions to defray the increased costs borne by Tasmanian consumers due to Project Marinus. The additional funding provided is additional to that provided in part a. above and is referred to below as Network Cost Reduction.

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 NWTB will be referred to by their full name in the first mention, and thereafter is referred to as ‘Project Marinus.’

	<p>3. This Schedule recognises that significant investment is required by the Commonwealth and Tasmanian Governments (and in the case of Marinus Link, the Victorian Government) to deliver these important projects, and ensure the delivery of reliable affordable electricity for consumers in the NEM.</p>																																																												
Estimated financial contributions	<p>The Commonwealth will provide a total financial contribution to Tasmania in respect of this Schedule of:</p> <ul style="list-style-type: none">• up to \$140.0 million over six years from 2021 -2022 to 2026-2027 (\$75.0 million for the Design & Approvals (D&A) work for Project Marinus and \$65.0 million for Tarraleah) as outlined in Table 1 below; and• \$346.0 million for Network Cost Reduction as outlined in Table 1 below. <p>This is in addition to the previously provided \$56.0 million grant to support D&A works for Project Marinus.</p> <p>All payments are GST exclusive. Any further funding will be negotiated in good faith as required.</p> <p><i>Table 1 - Estimated financial contributions</i></p> <table><tr><th>Table 1 (\$ million)</th><th>21-22</th><th>22-23</th><th>23-24</th><th>24-25</th><th>25-26</th><th>26-27</th><th>28-29</th><th>29-30</th><th>Total</th></tr><tr><td>Estimated total budget</td><td>9.8</td><td>48</td><td>25.0</td><td>0.0</td><td>45.4</td><td>11.8</td><td>0.0</td><td>346.0</td><td>486.0</td></tr><tr><td>Less estimated National Partnership Payments</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Project Marinus</td><td>0.0</td><td>35.0</td><td>25.0</td><td>0.0</td><td>15.0</td><td>0.0</td><td>0.0</td><td>0.0</td><td>75.0</td></tr><tr><td>Tarraleah</td><td>9.8</td><td>13.0</td><td>0.0</td><td>0.0</td><td>30.4</td><td>11.8</td><td>0.0</td><td>0.0</td><td>65.0</td></tr><tr><td>Network Cost Reduction</td><td>0.0</td><td>0.0</td><td>0.0</td><td>0.0</td><td>0.0</td><td>0.0</td><td>0.0</td><td>346.0</td><td>346.0</td></tr></table>	Table 1 (\$ million)	21-22	22-23	23-24	24-25	25-26	26-27	28-29	29-30	Total	Estimated total budget	9.8	48	25.0	0.0	45.4	11.8	0.0	346.0	486.0	Less estimated National Partnership Payments										Project Marinus	0.0	35.0	25.0	0.0	15.0	0.0	0.0	0.0	75.0	Tarraleah	9.8	13.0	0.0	0.0	30.4	11.8	0.0	0.0	65.0	Network Cost Reduction	0.0	0.0	0.0	0.0	0.0	0.0	0.0	346.0	346.0
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Overarching Additional Items	<p>1. The Commonwealth will contribute a maximum of \$486 million, comprised of:</p> <ul style="list-style-type: none">a. \$140.0 million (\$75 million towards the D&A work for Project Marinus and \$65 million towards Tarraleah) towards total estimated project costs to FID; andb. \$346 million in Network Cost Reduction. <p>2. The Tasmanian contribution will provide \$133 million (a maximum of \$75 million towards the balance of the D&A work for Project Marinus and \$58 million towards Tarraleah) to finalise the work for each project up until FID.</p> <p>3. The Commonwealth’s commitments under this Schedule are contingent on the following:</p>																																																												

	<p>a. The Commonwealth and Tasmania agreeing to establish governance arrangements with structure and processes for decision making, accountability, control and management of this grant. This includes:</p> <ul style="list-style-type: none"> ▪ The Commonwealth, Tasmania and Victoria agreeing governance arrangements in relation to Project Marinus and Tasmania complying with those arrangements. ▪ A Project Marinus Steering Committee (PMSC) involving the Commonwealth, Victoria and Tasmania relating to Project Marinus. ▪ For the Network Cost Reduction component, provision of information demonstrating that the Commonwealth investment will deliver an annual consumer benefit that is commensurate with the Network Cost Reduction Amount such that Tasmanian electricity consumers will obtain a consumer benefit that is reflective of a write down of TasNetworks' RAB by \$346 million, depreciated on a 40-year basis (e.g. of \$4.32M over 40 years for every \$100 million provided by the Commonwealth pursuant to this FFA). <p>b. Tasmania complying with stringent reporting requirements, including:</p> <ul style="list-style-type: none"> ▪ Tasmania will procure that TasNetworks, 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 each month reflecting information reasonably requested by the Commonwealth, including progress of the projects against milestones, risks and mitigations, confirmation of steps taken to resolve identified risks, expenditure and any significant contracts, undertakings or major departures from project scope. <p>c. Project delivery milestones being met (set out in table 2). This will be assessed by Commonwealth officials.</p> <ul style="list-style-type: none"> ▪ 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 Attachment B (for Tarraleah specifically). ▪ 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. <ul style="list-style-type: none"> • The Commonwealth may seek clarification or ask
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	<p>that Tasmania provides additional information to support its assessment of the milestone.</p> <ul style="list-style-type: none"> • The Commonwealth has an obligation to respond to Tasmania within 10 business days of receiving milestone documentation and advise whether the milestone is satisfactory or not. ▪ Further details on payment of Milestones for Project Marinus are set out in the Project Marinus section of Table 2. ▪ Further details on payment of Milestones for Tarraleah are set out in the Tarraleah section of Table 2. ▪ Further details on payment of the Milestone for the Network Costs Reduction are set out in the Network Cost Reduction section of Table 2. <p>d. In relation to the Network Cost Reduction payment, the Commonwealth being notified of:</p> <ul style="list-style-type: none"> ▪ the submission of draft and final submissions to the AER for an appropriate regulatory mechanism that will produce the requisite consumer pricing benefits, or ▪ the entry into a concessional finance agreement (as that term is defined under the National Electricity Rules), (whichever provides best for consumer outcomes) at the completion of NWTG's construction, which has the effect of reducing the RAB by the requisite amount to achieve associated lower revenue recovery for the benefit of Tasmanian electricity consumers. <p>e. Reporting to the 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.</p> <p>f. 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 (Attachment B). Relevant entities are limited to:</p> <ul style="list-style-type: none"> ▪ TasNetworks – for NWTG component of Project Marinus, and for the Network Cost Reduction. ▪ MLPL – for Marinus Link component of Project Marinus. ▪ Hydro Tasmania – for Tarraleah upgrade works. <p>4. Additional requirements in relation to completion of project delivery milestones (as set out in Table 2) are as follows:</p> <p>a. Tasmania is required to give notice to the Commonwealth of an actual or anticipated failure to achieve a Milestone within 10</p>
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	<p>business days of becoming aware of the actual or anticipated failure.</p> <p>b. If Tasmania is required to give notice to the Commonwealth of an actual or anticipated failure to achieve a Milestone by the relevant due date in Table 2, then it must at the same time as giving that notice:</p> <ul style="list-style-type: none"> ▪ discuss in good faith with Commonwealth officials 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. <p>c. The Commonwealth has an obligation to respond to a Cure Plan within 10 business days of receiving that plan.</p> <p>d. If, when considering the issues in good faith, the Commonwealth does 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.</p> <p>e. If the Commonwealth does not approve a Revised Cure Plan, the Commonwealth may at its sole discretion require Tasmania to submit a further revised Cure Plan (noting for the avoidance of doubt that no payment will be required to be made under this Schedule in respect of the relevant Milestone unless and until the milestone has been met).</p> <p>A Cure Plan means a plan to achieve completion of works/milestones by the date scheduled for completion, in line with the Key Deliverables set out at Table 2, and to mitigate the risk of future Milestones not being achieved by their relevant dates.</p>
Tarraleah Hydro Power Scheme Redevelopment	
Additional terms	<p>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. Any underwriting support will be considered and assessed separately to this Agreement.</p>

Table 2: Performance requirements, reporting and payment summary

Output	Milestones and Reporting	Milestone due date	Payment (\$ million)
Project Marinus milestones			
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"> Revised and approved D&A Phase Scope; Detailed Project Plan and timeline; Revised Budget to FID (D&A phase cost estimate); Risk Management Plan; and 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. 	4 weeks before first meeting of JSOC (estimate Q3 2022) First payment no earlier than July 2022	\$5.0 (completed)
Review and comment on Project Procurement Strategy (HVDC Procurement Plan)	<ul style="list-style-type: none"> Delivery of Project Procurement Strategy (HVDC Procurement Plans) and tender documentation to the Commonwealth with detailed tender process schedule for HVDC procurement. 	March 2023	\$17.5 (completed)
Process to FID <ul style="list-style-type: none"> Review and comment on post HVDC cable tender responses for Marinus Link. Draft vendor due diligence provided to the Commonwealth and Tasmania. Continued good faith discussions between the Tasmanian and Australian governments with an intent to reach agreement on the necessary pre-FID support requirements. 	<ul style="list-style-type: none"> Delivery of a report summarising HVDC cable tender responses for Marinus Link. Due diligence reports provided to the Commonwealth and Tasmania that have been prepared by Marinus Link's advisors, based on a scope agreed between the parties. Tasmania will ensure that the due diligence reports will be capable of being relied upon by the Commonwealth. 	June 2023	\$12.5 (completed)
Submission of rule change in a form approved by the Commonwealth and Tasmania	<ul style="list-style-type: none"> A Marinus Link (excluding NWTD) cost allocation rule change will be submitted that reflects the commitments made in the Letter of Intent signed by the Commonwealth and Tasmania in October 	July 2023	\$5.0 (completed)

	2022. <ul style="list-style-type: none"> The submission of the rule change will be supported by the Commonwealth and State. 		
Regulatory approvals and revenue determination submitted to the relevant regulators, with approval from the Commonwealth and Tasmania	<u>Revenue pathway</u> <ul style="list-style-type: none"> Marinus Link scope early works revenue proposal provided to the Commonwealth and Tasmania for comment. 	July 2023	\$7.5 (completed)
	<u>Revenue pathway</u> <ul style="list-style-type: none"> Following consultation with the Commonwealth and Tasmania, lodgment of the Marinus Link scope revenue proposal to the AER for the construction phase costs. 	April 2024	\$7.5 (completed)
	<u>Regulatory pathway</u> <ul style="list-style-type: none"> Following consultation with the Commonwealth and Tasmania, submission of relevant Marinus Link scope applications for the environmental approvals, Offshore license, and the Victorian and Tasmanian Transmission Licenses. 	June 2024	\$5.0 (completed)
Completion of Business Case and satisfaction of consultation with Commonwealth, and a FID is taken	<ul style="list-style-type: none"> Delivery of all relevant documentation to inform a FID, including delivery of final tender report and completion of a final business case. 	No later than July 2025	\$15.0
Total			\$75.0

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

Output	Milestones and Reporting	Report due	Payment (\$ million)
Tarraleah (milestones and reporting are further detailed at Attachment B)			
Agreement Execution	<ul style="list-style-type: none"> Schedule Agreement signed by Commonwealth and Tasmania. 		\$9.8 (completed)
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 engineer's report confirming completion of Upgrade Works Package A to enable the Commonwealth to undertake independent verification of completion. 	16 June 2023	\$13.0 (completed)
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 engineer's report confirming completion of Upgrade Works Package B-I to enable the Commonwealth to undertake independent verification of completion. 	30 June 2025	\$19.2 (completed)
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 engineer's report confirming completion of Upgrade Works Package B-II to enable the Commonwealth to undertake independent verification of completion. 	30 June 2026	\$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 engineer's report confirming completion of Upgrade Works Package C to enable the Commonwealth to undertake independent verification of completion. 	31 March 2026	\$11.2
Total			\$65.0
Network Cost Reduction			

Practical Completion	<ul style="list-style-type: none"> Practical Completion of NWTD Stage 1, as defined in the CEFC loan agreement. 	30 July 2029	\$346
Total			A\$ 346m

Attachment B

Tarraleah – Project Stages

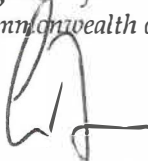
To progress Tarraleah, essential works will be delivered in three Construction Works packages as set out below. The total funding for each stage/package includes both Commonwealth and Tasmanian government contributions. In addition to the Total Funding of Construction Works packages below, Tasmania will contribute further Total Funding of \$25 million to progress Tarraleah to FID.

This table shows the outputs as well as the original dates for acquittal of each milestone, not taking into account Cure Plans and extended dates that were later agreed.

Package	Output(s)	Dates	Total Funding (\$ million)
Upgrade Works Package A	Design and specification, procurement and approvals of: <ul style="list-style-type: none"> I. Lake King William intake – and starting excavation, opportunistic access channel and access works. II. Lake King William tunnel – and starting associated downstream portal approach excavation and access works. III. Mossy Marsh dam upgrade, emergency spillway and access – and completion of construction. IV. Communications and power to Lake King William intake and tunnel portal sites – and initial stages of delivery works. 	2021 – June 2023	\$18.0
Upgrade Works Package B-I	Construction of: <ul style="list-style-type: none"> I. Lake King William intake final excavation and further opportunistic access channel works. II. Lake King William tunnel excavation. 	2021 – June 2024	\$35.0
Upgrade Works Package B-II	Procurement and construction of Lake King William intake structure to hold mechanical equipment ready for future finalisation and commissioning.	2021 – June 2026	\$20.0
Upgrade Works Package C	Design and specification, procurement, approvals and construction of potential flexible scope items adapted to actual project development requirements, including but not limited to elements such as: <ul style="list-style-type: none"> I. further site preparation and establishment activities; II. road improvements; III. further site-wide comms and power; IV. Lake King William intake access channel; V. Lake King William tunnel lining and any other activity associated with the tunnel; VI. No. 3 pipeline site preparation works; VII. Mossy Marsh Pond control structure; and VIII. construction camp works, workforce accommodation improvements and maintenance. 	2021 – March 2026	\$25.0

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

Signed for and on behalf of the
Commonwealth of Australia by



The Honourable Chris Bowen MP
Minister for Climate Change and Energy

Signed for and on behalf of the State of Tasmania
by

The Honourable Nick Duigan MP
Minister for Energy and Renewables

1 August 2025

[Day] [Month] [Year]

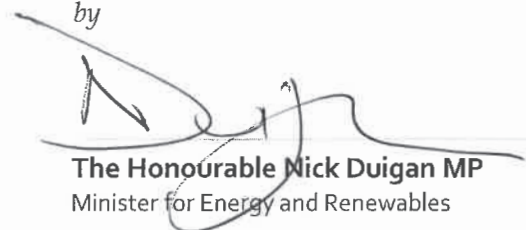
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Signed *for and on behalf of the
Commonwealth of Australia by*

The Honourable Chris Bowen MP
Minister for Climate Change and Energy

[Day] [Month] [Year]

Signed *for and on behalf of the State of Tasmania
by*



The Honourable Nick Duigan MP
Minister for Energy and Renewables

1 August 2025