

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 (NWTN) (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. 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). 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 NWTN 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 the Design & Approvals (D&A) work for Project Marinus and \$65.0 million for Tarraleah).</p> <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> <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
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<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 the D&A work for Marinus and \$65 million towards Tarraleah) towards total estimated project costs to FID. 2. The Tasmanian contribution will provide \$133 million (\$75 million towards the D&A work for Project Marinus and \$58 million towards Tarraleah) to finalise the work to FID. <ol style="list-style-type: none"> a. The Tasmanian contribution for Project Marinus is for the balance of D&A works costs to FID up to a maximum value of \$75 million. 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. <ul style="list-style-type: none"> ▪ A <i>Joint Senior Officials Committee (JSOC)</i> between the Commonwealth and Tasmania – Chaired by the relevant Deputy Secretary or equivalent, the JSOC will convene as requested by either party, to discuss matters specific to the FFA. ▪ Stringent reporting requirements including: <ul style="list-style-type: none"> • 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 of the project against milestones, emerging risks, confirmation of steps taken to resolve identified 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 reviewed by the JSOC as required.

- 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.

- The Commonwealth has an obligation to respond to the state 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 this Schedule.

- Further details on payment of Milestones for Tarraleah are set out in the Tarraleah section of this Schedule.

c. 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.

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 NWTD component of Project Marinus

	<ul style="list-style-type: none"> ▪ Marinerus Link Pty Ltd (MLPL) – for Marinerus Link component of Project Marinerus ▪ Hydro Tasmania – for Tarraleah upgrade works <p>4. The Commonwealth commitment is contingent on:</p> <ol style="list-style-type: none"> 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: <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. c. The Commonwealth has an obligation to respond to a Cure Plan within 10 business days of receiving that plan. 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. e. If the Commonwealth does not approve a revised Cure Plan, the Commonwealth may at its sole discretion either: <ul style="list-style-type: none"> ▪ 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/milestones 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.
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Project Marinerus

Additional Items	Should Tasmania not progress the Marinerus 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
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	<p>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.</p>
<p>Tarraleah Hydro Power Scheme Redevelopment</p>	
<p>Additional terms</p>	<ol style="list-style-type: none"> <li data-bbox="432 405 1425 593">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. Any underwriting support will be considered and assessed separately to this Agreement.

Table 2: Performance requirements, reporting and payment summary

Output	Milestones and Reporting	Milestone due date	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	\$5.0 (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 (payable on execution of the revised FFA Schedule)
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
Submission of rule change in a form approved by the Commonwealth and Tasmania	<ul style="list-style-type: none"> • A Marinus Link (excluding NWTED) 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 2022. 	July 2023	\$5.0

	<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
	<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
	<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
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 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 (completed)
Completion of Upgrade Works Package A	<ul style="list-style-type: none">Delivery of Upgrade Works Package AInvoices 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
Completion of Upgrade Works Package B-I	<ul style="list-style-type: none">Delivery of Upgrade Works Package B-I and associated evidenceInvoices 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 B-I 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 evidenceInvoices 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 B-II 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 evidenceInvoices 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 C to enable the Commonwealth to undertake independent verification of completion	16 May 2025	\$11.2

Attachment B

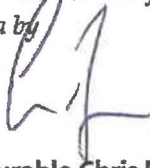
Tarraleah – Project Stages

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 \$25million to progress Tarraleah to FID.

Package	Output(s)	Dates	Total Funding (\$ million)
Upgrade Works Package A	Design and specification, procurement and approvals of: <ol 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: <ol 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: <ol style="list-style-type: none"> I. Lake King William intake structure to hold mechanical equipment ready for future finalisation and commissioning 	2021 – June 2025	\$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: <ol style="list-style-type: none"> II. further site preparation and establishment activities III. road improvements IV. further site-wide comms and power V. Lake King William intake access channel VI. Lake King William tunnel lining and any other activity associated with the tunnel VII. No. 3 pipeline site preparation works VIII. Mossy Marsh Pond control structure IX. construction camp works, workforce accommodation improvements and maintenance. 	2021 – June 2025	\$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

[Day] [Month] [Year]

Signed for and on behalf of the
State of Tasmania by



The Honourable Guy Barnett MP
Minister for Energy and Renewables

[Day] [Month] [Year]