



Consumer Advisory Panel (CAP)

Workshop #4 summary report

5 December 2022



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Responsibilities

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1 Introduction

1.1 Engagement purpose

The Consumer Advisory Panel (CAP) provides the key forum for engaging National Electricity Market (NEM) customers on the Marinus Link Revenue Proposal. The CAP aims to be broadly representative of NEM customers. Its purpose is to:

- Provide consumer representatives with a real opportunity to participate in the Marinus Link Revenue Proposal, especially on elements where consumer feedback can have the greatest impact.
- Provide a forum for members to raise questions and concerns on behalf of the consumers they represent.
- Help Marinus Link to ensure that consumers' views and preferences are reflected in the revenue proposal.

The CAP members are:

- Gavin Dufty, Manager policy and research, St Vincent de Paul Society
- John Pauley, Chair, Tasmanian Policy Council, COTA Tasmania
- Professor Richard Eccleston, Director, Tasmanian Policy Exchange, University of Tasmania
- Anne Nalder, Founder & CEO, Small Business Association of Australia
- Elizabeth Skirving, Deputy Chair, Council of Small Business Organisations of Australia.
- Leigh Darcy, Tasmanian Minerals, Manufacturing and Energy Council representative
- Andrew Richards, CEO, Energy Users Association of Australia
- Stephen Durney, Senior Policy Officer, Tasmanian Council of Social Services.

1.2 Workshop objectives

The objectives of the workshop were to:

- Adjust how the CAP will participate in the procurement process for Marinus Link, in response to the procurement process changing.
- Seek CAP feedback on draft proposed sustainability commitment statements for Marinus Link.
- Review the CAP engagement roadmap for 2023.

1.3 Preparation

Prior to this workshop, CAP members participated in the following preparatory activities:

- Workshop #1 (30 and 31 May 2022) to explore the foundations of the CAP, Marinus Link cost allocation, the Marinus Link procurement strategy, and risk allocation. A summary report from Workshop #1 is available on the Marinus Link website.
- Workshop #2 (17 August 2022) to explore options for CAP involvement in the tender evaluation process for Marinus Link. A summary report from Workshop #2 is available on the Marinus Link website.
- Workshop #3 (14 September 2022) in partnership with the Gippsland Stakeholder Liaison Group (GSLG), to workshop the Sustainability Framework for Marinus Link, including community benefit sharing, as part of the revenue (price) setting for TasNetworks.

The workshops have been preceded by five roundtable discussions that aimed to equip CAP members to participate meaningfully in the CAP process.

Summary reports from each workshop and materials discussed during the roundtable discussions can be found on the Marinus Link website: <https://www.marinuslink.com.au/consumer-advisory-panel/>.

2 Engagement methodology

CAP members were invited to participate in a full day, in-person workshop led by an independent facilitator from RPS.

The workshop consisted of four parts:

➤ Introduction

As part of the workshop introduction, Heath Dillon, Executive Manager – Customer and Revenue for Marinus Link presented to the CAP on the commonwealth funding announcement, the AEMC rule change process and a revised approach to revenue setting. Heath's presentation was followed by a question and answer (Q&A) session about the presentation content.

➤ Procurement

To begin this session, Jason Good – Head of Procurement, Marinus Link, presented to the CAP on significant changes to the procurement process that have been made since the CAP last discussed procurement and the CAP's involvement in August (Workshop 2). During this session, the CAP explored how an independent evaluator might represent the CAP during the procurement process.

➤ Sustainability

The CAP was introduced to Marinus Link's draft proposed sustainability commitment statements by Erin Littlewood – Sustainability Manager, Marinus Link. Following Erin's presentation, the CAP discussed Marinus Link's sustainability priorities and commitment statements, and consumers' willingness to pay for sustainability outcomes.

✦ Engagement roadmap

In the final session, the CAP revisited the CAP engagement roadmap, including how a revised roadmap might reflect the new revenue-setting process for Marinus Link, and what the future makeup of the CAP should look like.

3 Engagement outcomes

This section summarises the outcomes of the workshop and how Marinus Link is responding or intends to respond.

3.1 Introduction

Heath Dillon, Executive Manager – Customer and Revenue for Marinus Link presented to the CAP on the commonwealth funding announcement, the AEMC rule change process and a revised approach to revenue setting. Heath's presentation was followed by a Q&A session about the presentation content.

3.1.1 What we heard

Feedback included:

- ✦ A CAP member asked whether the project would be able to re-negotiate project costs if inflation began to have large impacts on project finance.
- ✦ CAP members expressed concern about some inconsistencies regarding numbers in Marinus Link communications and asked that these be addressed.
 - A CAP member raised concerns regarding the share of cost for Tasmanians per household, particularly in comparison to other Australian states that are benefitting from the project. CAP members enquired about whether predictions of \$30-40/Tasmanian household in cost are accurate.
 - A CAP member noted that in their view Marinus Link had predicted that it would reduce wholesale prices in Tasmania and Victoria by 20% and asked why there are so many projects underway in Victoria if one project can have an impact of this scale.

- A CAP member enquired about recent Marinus Link communications which stated that 15% of the North West Transmission Development (NWTED) cost would go to consumers, and asked whether the NWTED project is considered part of TasNetwork's business-as-usual remit.
- The CAP agreed that Marinus Link is likely to encounter difficulties in achieving political compromise across three separate governments (Tasmania, Victoria, Commonwealth).
- A CAP member noted that Marinus Link sometimes uses different terms interchangeably in its communications (examples given included 'ownership', 'funding', and 'cost allocation') and asked that consistent language is used.
- A CAP member expressed that AEMO modelling is based on assumptions that optimise the outcomes.
- A CAP member suggested that Marinus Link explore its shared narrative with BassLink to identify whether the two projects work in tandem or not.
- A CAP member asked what the impact would be on the project if there is no increase in wind generation in Tasmania.
 - Heath responded that in addition to the supply benefits already being discussed, Marinus Link also helps to manage increased load. Heath explained that between now and 2050, the energy load is estimated to double as other industries like public transport electrify. More generation projects will need to be instigated to meet this demand challenge.

3.1.2 How Marinus Link will respond

- Marinus Link will provide an overview of updated wholesale modelling to the CAP in early 2023.
- Marinus Link will ensure that in communications and presentations, where possible, it is clear which costs and benefits are attributed to Marinus Link and the North West Transmission Development projects respectively.
- Marinus Link will review project communications that include cost and benefit predictions to ensure consistency in numbers and language.

3.2 CAP involvement in the procurement process

Since the CAP met in August (Workshop 2) to discuss its involvement in the procurement process, Marinus Link was required to reduce the procurement evaluation process from three rounds to one round, in response to supplier feedback. This change means there is reduced opportunity for the CAP to participate in the way it decided during Workshop 2.

Jason Good – Head of Procurement, Marinus Link, briefed the CAP on the changes made to procurement and advice from the project's Probity Advisor about CAP involvement.

In July 2022 it was agreed that Marinus Link would:

- Involve the CAP in procurement by working with CAP to develop the specifications that feed into the Australian Industry Participation (AIP) criteria applied during Phase 2 of the procurement process (to be explored through an additional workshop in April).
- Explore collaborating to appoint a CAP evaluator who will participate in the evaluation process by sitting on the Tender Evaluation Committee.

CAP members were advised that the revised procurement approach meant that:

- The revised procurement approach meant that the AIP criteria was already set.

It was proposed that the CAP would instead provide feedback on the priorities and commitment statements that would be in the Sustainability Addendum and consumers' willingness to pay for these initiatives.

- Probity advice indicated that Conflict(s) of Interest (COI) and confidentiality would make it difficult for a CAP member to participate in the evaluation process. It was proposed that Marinus Link collaborate with CAP to appoint an independent representative who will sit on the Tender Evaluation Committee. They can provide insight and assurance to the CAP that the process is being followed and consumer interests are being incorporated.

The workshop facilitator then posed the following question to the CAP for consideration:

Acknowledging the significant changes to the procurement process, are you comfortable that what is proposed maintains the intent of the August workshop outcomes? If not, what else should Marinus Link consider?

3.2.1 What we heard

The CAP agreed to using an independent evaluator as its representative in the procurement evaluation process.

Additional feedback included:

- A CAP member recommended that Marinus Link reach out to TransGrid to understand how it managed its consumer engagement for Project Energy Connect (PEC).
- A CAP member acknowledged that Marinus Link will save significant cost by reducing procurement to one round of evaluation, and that the changes also increases Marinus Link's remit to use local suppliers.
 - Jason added that the converter station building works tender will be run directly by Marinus Link, with local suppliers.

- Jason also added that the change means Marinus Link has more influence over which resources are used from each region.
- ✔ Several CAP members agreed that the change to its method of participation lowers their concern about probity risks.
- ✔ The CAP discussed the role of the independent evaluator and agreed that this person would participate in the procurement evaluation process and during its final stages, report back to the CAP to raise concerns or verify that the process was run according to CAP expectations.
- ✔ A CAP member raised small business participation during the tender and procurement process, asking whether it would be possible for a small or medium sized enterprises (SMEs) to fulfil the requirements of the tender, and whether they would need to be accredited to a certain standard before doing so. The CAP member added that if accreditations to set standards are required, this needs to be communicated to businesses early so they have time to complete these processes.
 - Jason explained that prequalification for the building works tender would begin next year. Marinus Link is currently working on a strategy for engaging industry about this.
 - Heath added that the lead contracting party would likely be a large business, but there would be opportunities for small businesses to be involved as sub-contractors.
 - Jason noted that Marinus Link is seeking to have a minimum number of suppliers as is possible, however there is a strategy being drafted to ensure that Marinus Link and the CAP can influence how the contracted businesses use smaller, regional firms and address items such as traineeships.
- ✔ The CAP member added that in many sub-contract arrangements, the sub-contractors face challenges in being paid adequately and on time.
- ✔ Marinus Link noted that:
 - There is direct line of sight between the sustainability framework and the procurement strategy.
 - There are significant Australian Industry Participation (AIP) components in the two main tender contracts.
 - The CAP can participate in developing criteria for the building works tender, including the criteria that ensures local content and SME participation.

3.2.2 How Marinus Link will respond

- ✔ Marinus Link will engage industry and SME representatives to seek their feedback on the proposed strategies for SME involvement.
- ✔ Marinus Link will reach out to Transgrid regarding consumer involvement in PEC.

- Marinus Link will consider how the CAP can be involved in shaping criteria for the building works tender to encourage local content and SME involvement.

Securing the right independent evaluator

As part of this session, the CAP workshopped what skills and experience the independent evaluator should have, and what the recruitment and selection processes should involve.

3.2.3 What we heard

The CAP identified the following skills and experience as being important for the independent evaluator.

Skills	Experience
<ul style="list-style-type: none"> Technical skills in the energy sector 	<ul style="list-style-type: none"> Social procurement and community benefit: understands the political and community environment that Marinus Link is operating in
<ul style="list-style-type: none"> Understands commercial contracts 	<ul style="list-style-type: none"> Independent
<ul style="list-style-type: none"> Experience in large, complicated projects 	<ul style="list-style-type: none"> Customer and community focussed
<ul style="list-style-type: none"> Social procurement (community benefit) 	<ul style="list-style-type: none"> Risks and trade offs
<ul style="list-style-type: none"> Negotiation 	<ul style="list-style-type: none"> Good communicator in engaging with the CAP and other relevant stakeholders
<ul style="list-style-type: none"> Communication and report writing (using language accessible by the community) 	<ul style="list-style-type: none"> Collaborative
<ul style="list-style-type: none"> Understands the trade-offs involved in a project like Marinus Link 	<ul style="list-style-type: none"> Understands inclusivity and diversity
	<ul style="list-style-type: none"> Understands the community context and needs
	<ul style="list-style-type: none"> Awareness and understanding of both head contracts, and local capabilities and workforce issues

The CAP discussed recruitment of the independent evaluator and provided the following feedback:

- The way this person is recruited will send a message to the community and stakeholders, so it needs to be done correctly to ensure trust in the project.
- The independent evaluator is not representative of jurisdiction and so does not need to be from a particular location (e.g. Tasmania or Victoria).
- The individual requires enough technical knowledge to independently understand and assess the process without relying on others to explain (and risk bias).
- However, this individual also needs to herald from the community and consumer sector to properly represent its interests.
- A CAP member asked whether it would be best for the CAP to seek an individual or a firm to fill this role, and suggested that the answer to this question would be clearer upon knowing who else sits on the assessment panel and where the gaps are.

The CAP also discussed selection of the independent evaluator and determined the following process:

- 1. A scope of work is designed by Marinus Link, with review by the CAP**
- 2. A broad Expression of Interest process is opened**
- 3. CAP members are appointed by the CAP to undertake a shortlisting process on the CAP's behalf**
- 4. Marinus Link prescribes parameters for appointing the independent evaluator (e.g., cost)**
- 5. The CAP and Marinus Link determine a shortlist**
- 6. The CAP conducts interviews of the shortlist and recommends a preferred candidate to Marinus Link.**

3.2.4 How Marinus Link will respond

- Marinus Link will design a scope of work by end of January 2023 and share with the CAP for review and input.

3.3 Sustainability

Commitment statements

The CAP was introduced to Marinus Link's draft proposed sustainability commitment statements by Erin Littlewood – Sustainability Manager, Marinus Link, and provided with an overview of Marinus Link's sustainability work to date, including its materiality assessment outcomes.

3.3.1 What we heard

Feedback included:

- A CAP member expressed that talking about 'sustainability' rather than 'ESG' is important. They described that Environmental, Social and Governance (ESG) takes a narrow focus and is jargon heavy.
- The CAP also expressed that Marinus Link should be talking to local communities and local governments about their aspirations in this space.
- A CAP member noted that the commitment statements do not include a statement about the contribution that Marinus Link is making to reducing emissions on a national scale.
- A CAP member suggested that the commitment relating to jobs and training should focus on building employment and skills in the communities impacted by the project, rather than bringing these in and taking them away upon project completion.
- A CAP member provided the feedback that 'minimising' is a 'nothing word', and that 'leave the environment better than we found it' is stronger.
- The CAP agreed that consistent language needs to be used (e.g., avoiding the interchangeable use of 'Aboriginal engagement' and 'Traditional Owner engagement').
- The CAP agreed that the word 'transparent' carries different meaning for separate stakeholders. A CAP member suggested that more direct wording should be used instead (e.g., 'we will tell consumers what the end cost to consumers will be').
- The CAP expressed that the sustainability framework should be a 'living' document to respond to the changing contexts it operates in, adding that material issues will change over time.
- A CAP member raised the mention of the Strzelecki Ranges and the coast in the materiality feedback slides and suggested that if one sensitive geography is mentioned, then all should be (including the Bass Strait).

3.3.2 How Marinus Link will respond

- The sustainability framework will be an iterative document with formal review and adjustment processes. It is intended to be released publicly.
- Marinus Link will adjust the wording of the commitment statements to incorporate CAP feedback.

Consumer willingness to pay

Following discussion of the draft commitment statements, Erin asked the CAP for feedback on which sustainability outcomes consumers would feel most willing to pay for.

3.3.3 What we heard

Feedback included:

- The CAP found it difficult to identify specific sustainability outcomes that consumers would be willing to pay for and felt it was more appropriate to think about these issues in terms of the legacy and long-term value they deliver.
- It was noted that sustainability initiatives are part of the overall business case, and that if actioning them means the costs increase to a point that the business case doesn't stack up anymore, consumers would not support the project.
- A CAP member suggested that Marinus Link identify where there are possible 'multiplier effects', rather than looking at return on investment from individual initiatives.
- A CAP member suggested that peoples' perception of 'value' will depend on the timing and sequencing of how costs are added to bills.
- A CAP member suggested that there should be value propositions accompanying the commitment statements (e.g., we will do x (commitment statement) and it will deliver y (value proposition)).
- The CAP agreed that it is not important for Marinus Link to have a net zero target.
- A CAP member suggested that 'housing' should be broadened to 'housing and accommodation'.

3.3.4 How Marinus Link will respond

- Marinus Link will have regard to CAP feedback when finalising the commitment statements and evaluating the initiatives that will give effect to each of them.

3.4 Engagement roadmap

In the final session, the CAP revisited the CAP engagement roadmap, including how a revised roadmap might reflect the new revenue setting process for Marinus Link, and what the future makeup of the CAP should look like.

3.4.1 What we heard

Feedback included:

- The CAP is comfortable with the proposed engagement roadmap.
- A CAP member asked whether the CAP will report back to the Australian Energy Regulator (AER) on the procurement evaluation process.

- A CAP member asked whether Marinus Link will have a Consumer Challenge Panel (CCP).
 - Heath explained that Marinus Link is still working on this question with the AER.
- A CAP member suggested that a representative from the GSLG could sit on the CAP to represent local Gippsland consumers and increase lines of communication between the CAP and the GSLG.
- A CAP member asked how Marinus Link will relate to the new State Electricity Commission (SEC).

3.4.2 How Marinus Link will respond

- Marinus Link will investigate whether the CAP will report back to the AER on the procurement evaluation process and come back to the CAP on this matter.
- Marinus Link will explore adding a GSLG representative to the CAP and respond back to the CAP on this matter.