



Australian Government

Department of Climate Change, Energy,
the Environment and Water

Frequently Asked Questions

CIS Tender 1 – National Electricity Market - Generation



Frequently Asked Questions – CIS Tender 1

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Frequently Asked Questions

Question	Response
<p>Are hybrid projects eligible to participate in the CIS tender?</p>	<p>Yes, hybrid projects are encouraged to participate in the tender. Specific information on hybrids is outlined in section 2.2.1 of the Tender Guidelines.</p> <p>As acknowledged in the Guidelines, hybrid projects may be able to provide additional benefits and value over non-hybrid projects and may be assessed as higher merit in the process. Hybrid projects are encouraged to participate. Proponents with hybrid projects should familiarise themselves with the relevant sections in the guidelines and note the difference between an Assessed Hybrid Project Bid and a Non-Assessed Hybrid Project Bid (see section 2.2.1).</p>
<p>Will wind projects be competitive?</p>	<p>Yes, wind and hybrid projects can be competitive under the merit criteria. When compared to a straight solar project for instance, wind may provide higher benefits or a greater contribution to reliability. When determining value for money, the Commonwealth considers the forecast benefits against the expected support costs, not just the expected cost per MW hour of the project.</p> <p>The overall expected cost of supporting a project will be assessed on several electricity market modelling scenarios and include projections of dispatch weighted prices to be received by the project. A project with a higher floor and higher expected dispatch weighted prices may be forecast to require less support than a project with lower floor but lower dispatch weighted prices.</p>
<p>Will contribution to reliability be assessed similarly for a hybrid project versus two separate submissions for a generation project and a storage project?</p>	<p>Storage only projects are not eligible for Tender 1. All else being equal, it's likely that a hybrid project with a storage component may be assessed more favourably on contribution to reliability than a generation only project of a similar nature.</p>

<p>Is there any greater priority given to projects which are able to dispatch for longer durations (i.e. greater than 8 hours)?</p>	<p>Storage only projects are not eligible for Tender 1. For this tender, there is no specific allocation for any particular technology or dispatch duration. The assessment methodology considers reliability benefits, and while hybrid projects with export profiles that support longer dispatch periods (for example those with storage duration above 8 hours) could potentially offer additional reliability benefits, ultimately this will depend on the modelling.</p> <p>The CIS assessment methodology may result in a higher merit assessment for projects with export profiles that enable longer dispatch durations in assessing Merit Criterion 1, but this depends on the specific project and location. During the assessment of Merit Criterion 5, a range of factors (including generation profiles) will impact the consideration of benefits against the expected CISA cost. This balance will be evaluated as part of the merit assessment to determine the project's likelihood of being selected.</p> <p>Support for stand-alone long-duration technologies has been raised in submissions to the CIS Design Paper and may be considered further in future refinements to the scheme.</p>
<p>Some schemes are known to support project debt components only of projects. Is this tender looking for a similar approach?</p>	<p>No, the scheme design recognises the electricity market is undergoing significant change and uncertainty and that the CIS seeks to support significant additional generation capacity. The CIS anticipates proponents will bid at a price that's competitive but also sufficient to allow projects to operate sustainably in a low-price environment. Depending on the merit and mix of projects bid by proponents, the CIS may underwrite floor prices that potentially cover both debt and equity components to facilitate project development.</p>
<p>Given there is a need to promote a strong technology mix in Australia, will DCCEEW consider technology-specific tenders?</p>	<p>The scheme is designed to support a diverse technology mix. This enables proponents to determine the relative costs of different technologies when preparing their bids. The CIS does not intend to select projects based solely on dollars per MWh, as this would overlook the many benefits different technologies may provide. The CIS assessment methodology, developed in collaboration with our delivery partner and through extensive industry consultation, increases the likelihood of delivering a strong technology mix.</p>

	<p>It is expected that bidding is influenced by changes in technology costs in the market. However, depending on the bids received in each tender, future tenders may have slightly different technology mixes over the three-year life of the scheme.</p>
<p>Will an Electricity Statement of Opportunities (ESOO) type simulation be used to quantify a project’s contribution to reliability? Will this be done in Stage A (Merit Criteria 1) or Stage B (Merit Criteria 5)?</p>	<p>Projects will be assessed against all merit criteria, including Merit Criteria 1 which assesses contribution to system reliability and system benefits. Publications on modelling such as the Integrated System Plan (ISP) published by AEMO and some of the modelling in Merit Criteria 5 may also contribute to the assessment of reliability and system benefits.</p>
<p>How is dispatch weighted average price estimated? For example, do you use the P50 profile against AEMO’s forward 5-minute prices? And what scenarios will you run?</p>	<p>A range of scenarios are developed as part of the assessment process. This includes a base case, lower case and high price scenarios, and they are run against the P50 profiles to determine the forecasted dispatch weighted average price.</p>
<p>Do bids need to be made by an SPV (Special Purpose Vehicle) that owns the asset, or will own the asset, or can bids be made by organisations with an intent to set up an SPV?</p>	<p>No, proponents do not need to establish an SPV at the time of application – see Eligibility Criteria 7 for clarification. Setting up an SPV can be delayed until proponents are confident they will receive Capacity Investment Scheme Agreement (CISA) support. Proponents should plan for the establishment of the SPV before signing a CISA, if ultimately successful.</p>
	<p>In general, projects are not able to submit duplicative bids, as outlined in the Tender Guidelines. If proponents do submit bids that are considered to be duplicative, only the latest bid submitted will be assessed.</p>

<p>Will a renewable project be able to submit multiple submissions with different battery sizes?</p>	<p>The only exception is that proponents may submit two bids where the project is a hybrid project and the proponent ops to submit both a generation only bid and an Assessed Hybrid Project Bid.</p>
<p>If a bidder submits mark-ups to the CISA which are accepted by the Commonwealth, will those changes be applied across all CISAs, or to that bidder’s CISA only?</p>	<p>Departures that may be applicable across all projects would be updated in the pro-forma CISA and apply across all executed CISAs. The intention is that all Proponents will sign up to the same pro-forma contract. An updated pro-forma CISA will be provided to Proponents prior to submitting their financial value bids.</p> <p>There may be specific departures that are necessary to accommodate specific proponents and/or projects and these will be considered on a case-by-case basis.</p>
<p>Have you considered bankability of a 15-year maximum term for project financing?</p>	<p>Yes, the scheme considers that many projects last longer than 15 years, and truncating the term can make bankability more challenging. In balancing the needs of proponents with what is desirable for the Commonwealth, the conclusion was to support a maximum term of 15 years. However, if bankability is a concern, potential proponents should consider including any proposed contract variations (e.g. departures) in their application.</p>
<p>What is there in the application, assessment process and the CISA to ensure the winning bids actually result in capacity being built?</p>	<p>There are several elements that ensure that CIS supported projects get built. Section 2 and 3 of the Tender Guidelines outlines the assessment process and the Eligibility and Merit Criteria respectively.</p> <p>Only the Proponents and Projects that meet all the Eligibility Criteria are progressed to Stage A for assessment against Project Bid Merit Criteria 1 - 4, which considers Project’s contribution to system reliability and system benefits, deliverability, organisational capability as well as engagement with First Nations and local communities and benefit sharing.</p> <p>Projects that are assessed as low merit against any individual Merit Criteria 1- 4 may not be further assessed and may not be shortlisted to progress to Stage B assessment against Financial Value Merit Criteria 5-7. Similar to Stage A, any Project that is assessed as low merit against any individual Merit Criteria 5-7 may not be further assessed and may not be progressed.</p>

If a successful proponent, who has signed a CISA, does not construct their project in the agreed timeframe, the CISA may be terminated, and the proponent will be required to make a payment to the Commonwealth. This payment will be equal to the Early Termination Amount which is calculated as \$20,000 per MW of capacity (capped at \$4 million).

The separate Early Termination Amount, for the period prior to commercial operation date (COD), is intended to disincentivise proponents who do not genuinely intend to construct and operate their proposed project from entering into a CISA.

If successful, Proponents are required to provide a Performance Security, equal to the value of the Early Termination Amount, to the Commonwealth shortly after signing a CISA.

The Contract includes various termination rights and cure plan provisions to manage a Project's progress against key development milestones, in line with industry best practice.