



Australian Government

Department of Climate Change, Energy,
the Environment and Water

Capacity Investment Scheme

Market brief on Capacity Investment Scheme
Tender 2: Wholesale Electricity Market –
Dispatchable Capacity

June 2024



© Commonwealth of Australia 2024

Ownership of intellectual property rights

Unless otherwise noted, copyright (and any other intellectual property rights) in this publication is owned by the Commonwealth of Australia (referred to as the Commonwealth).

Creative Commons licence

All material in this publication is licensed under a [Creative Commons Attribution 4.0 International Licence](https://creativecommons.org/licenses/by/4.0/) except content supplied by third parties, logos and the Commonwealth Coat of Arms.

Inquiries about the licence and any use of this document should be emailed to copyright@dcceew.gov.au.



Cataloguing data

This publication (and any material sourced from it) should be attributed as: DCCEEW 2024, *Market Brief: Capacity Investment Scheme Tender 2 – WEM Dispatchable*, Department of Climate Change, Energy, the Environment and Water, Canberra, June. CC BY 4.0.

This publication is available at dcceew.gov.au/publications.

Department of Climate Change, Energy, the Environment and Water

GPO Box 3090 Canberra ACT 2601

Telephone 1800 920 528

Web dcceew.gov.au

Disclaimer

The Commonwealth of Australia, as represented by the Department of Climate Change, Energy, the Environment and Water, has produced this publication to provide high-level and initial guidance on the rollout of the *Capacity Investment Scheme (CIS) Tender 2 – WEM Dispatchable*. The rollout of Tender 2 is presently under development and the information contained in this publication is subject to change. This publication does not indicate commitment by the Australian Government to any, or any particular course of, action in relation to the CIS or otherwise.

Any transaction implemented under the national rollout of the CIS will be governed by its own terms and conditions set out in relevant disclosure and process documents. The reader should make their own inquiries of all relevant information and take appropriate legal and other professional advice, before taking any action.

The Commonwealth has exercised due care and skill in preparing and compiling the information and data in this publication. Notwithstanding that, the Commonwealth, on its own behalf and on behalf of its employees and advisers, disclaims all liability, including liability for negligence and for any loss, damage, injury, expense or cost, incurred by any person as a result of accessing, using or relying on any of the information or data in this publication to the maximum extent permitted by law. No representation, whether express or implied, is made as to the currency, accuracy, reliability or completeness of the information contained in this publication.

Acknowledgement of Country

We acknowledge the Traditional Owners of Country throughout Australia and recognise their continuing connection to land, waters and culture. We pay our respects to their Elders past and present.

Contents

Purpose	3
Context	5
What to know for the Tender 2 Process	6
Proposed key stages in the Tender 2 Process	7
Proposed Tender Process Deed Poll	8
Proposed Eligibility Criteria	8
Merit assessment and criteria.....	10
Proposed Merit Criteria – Stage A.....	10
Proposed Merit Criteria – Stage B.....	16
Frequently Asked Questions	20

Purpose

The purpose of this market brief is to provide information to potential proponents (Proponents) about the upcoming **Capacity Investment Scheme (CIS) Tender 2: Wholesale Electricity Market – Dispatchable Capacity (Tender 2 Process)**. Tender 2 is expected to open for registration and bid submission in mid-July 2024.





The document includes an overview of the planned key design elements of the Tender 2 Process, including the proposed Eligibility Criteria and proposed Merit Criteria that the Australian Government anticipates proponents and their bids will be required to satisfy. Please note that the information provided is indicative only and intended to provide high-level guidance for proponents. Further information will be published in the Tender Guidelines and the draft Dispatchable Capacity Investment Scheme Agreement (CISA). Please see the disclaimer on Page 2 of this document for more information.

Tender 2 will invite bids for clean dispatchable capacity projects in the Western Australian Wholesale Electricity Market (WEM),¹ with an indicative target of 500 MW of four-hour equivalent dispatchable capacity, or 2,000 MWh.

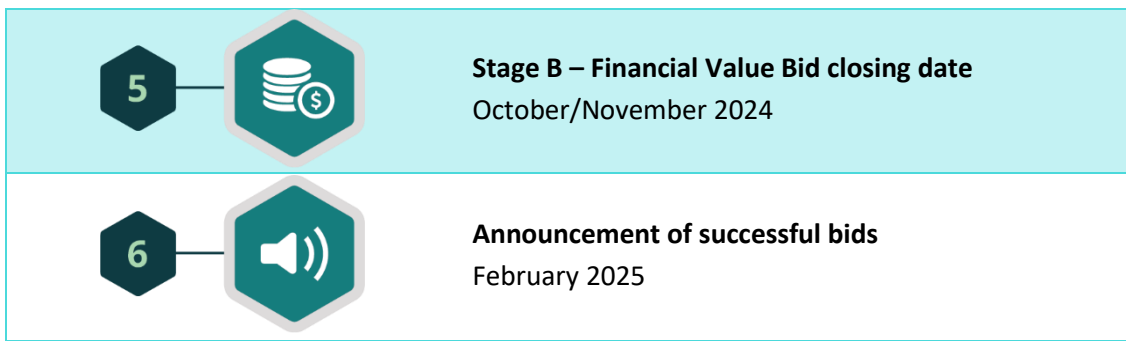
Proponents should note that:

- The Australian Government has engaged the Australian Energy Market Operator (AEMO) to assist with the administration of the Tender 2 Process.
- Tender 2 Process is not a procurement for the purposes of the *Commonwealth Procurement Rules*.

Future tenders in the WEM are expected to be held on an annual basis, subject to a final Renewable Energy Transformation Agreement being agreed by the Australian and WA Governments.

Stage	Indicative key dates
	Tender 2 Process commencement date Tender Guidelines released and registration/bidding open Mid July 2024
	Registration closing date Early August 2024
	Stage A – Project Bid closing date Mid August 2024
	Invitation to submit Stage B – Financial Value Bid September/October 2024

¹ The WEM supplies electricity to the south-west of Western Australia via the South West Interconnected System (SWIS). For further information see: [AEMO | Wholesale Electricity Market \(WEM\)](#).



Context

The objective of the CIS is to incentivise the deployment of 32 gigawatts (GW) of renewable and clean dispatchable capacity by 2030 and help deliver the Australian Government’s 82% renewable electricity by 2030 target. The scheme is designed to incentivise the entry of new generation capacity and support system reliability as electricity demand grows and ageing coal power stations retire. The CIS involves regular competitive tenders held approximately every 12 months until 2027 in the WEM, and every six months until 2027 in the National Electricity Market (NEM), seeking to deliver a total of 23 GW of renewable capacity and 9 GW of clean dispatchable capacity. For further information on the CIS in the NEM please visit: [AEMO Services](#).

Tender 2 will seek to deliver an indicative target of 500 MW of four-hour equivalent dispatchable capacity, or 2,000 MWh, across the WEM. Projects will bid for a CISA, which is a contract between the successful proponent for a project and the Australian Government. The CISA provides partial revenue support where a project’s net revenue falls below an agreed ‘floor’ (subject to an agreed annual cap). The CISA also requires projects to pay a percentage of net revenue to the Commonwealth where net revenue exceeds an agreed ‘ceiling’ (subject to an agreed annual cap).

The primary consideration in awarding a CISA in respect of successful tenders under the CIS is value for money, which extends beyond cost considerations.

Projects will be assessed based on their:

- expected timeframe for delivery;
- ability to successfully participate in the Reserve Capacity Mechanism (**RCM**);
- system benefits;
- ability to deliver strong benefits to the local community – including support for local communities, local jobs and local content; and
- culturally aware engagement with First Nations groups – including shared economic and social benefits with impacted First Nations communities.





The CIS aims to deliver sufficient support to allow projects to proceed and operate sustainably in an environment with high levels of renewables penetration.

What to know for the Tender 2 Process

Key element	Description
Location	Projects in this tender process must be located in Western Australia (WA), connected to the South-West Interconnected System (SWIS) as defined by the <i>Electricity Industry Act 2004</i> (WA).
Minimum requirements	Projects must have a minimum storage duration of two hours, a minimum size of 30 MW and meet the Eligibility Criteria (in table below).
Technology type	Projects must either store electricity by charging from the SWIS or generate electricity from a fuel source that is an eligible renewable energy source. Eligibility Criterion 10 (in table below) provides further information on eligible fuel sources and ineligible technologies.
Capacity Investment Scheme Agreement (CISA)	The CISA will be a contract between the project owner and the Australian Government. The CISA will provide partial revenue support (90%) if a project's revenue falls below an annual floor, which depends on the project's capacity credits and floor bid. In turn, the CISA will also require projects to pay a percentage of revenue to the Australian Government (50%) if revenue exceeds an annual ceiling, which depends on the project's capacity credits and ceiling bid. These payments are subject to an agreed annual payment cap.
Contribution to 82% Target	Key objectives of the CIS include supporting projects that can contribute to achieving the Australian Government's 82% renewable electricity by 2030 target and supporting system reliability in Australia's rapidly changing electricity market. These elements are assessed via Merit Criterion 4 .
Interactions with the Reserve Capacity Mechanism	The RCM is a mechanism to encourage capacity in the WEM to meet peak demand two years in the future, in line with Reserve Capacity Requirement expectations set in the WEM Electricity Statement of Opportunities (ESOO). The CIS aims to be complementary to the RCM. Successful CIS projects will be required to participate in the RCM. Merit Criterion 4 will include assessment of a project's likelihood to receive capacity credits under the RCM as a measure of its contribution to system reliability and benefits. Revenue underwriting under the CISA will be based on the units of capacity credits (\$ per MW) obtained by the Project.
Target Commercial Operation Date	The Target Commercial Operation Date (COD) is not an Eligibility Criteria and will be assessed under the Merit Criteria. All else being equal, projects with an earlier Target COD may be considered of higher merit.
Social Licence commitments	The Australian Government has a strong expectation that, as the energy transition evolves, genuine economic and social partnerships will emerge between industry and communities to better support and seize the opportunities of a net-zero economy. Social licence commitments will be assessed against Merit Criteria 3 and 6 and commitments will become contractually binding and are subject to monitoring and enforcement conditions should a Proponent be successful in the Tender 2 Process. Projects assessed as having low merit against any individual Merit Criteria (including social licence) may not be further assessed and may not be progressed to the financial value shortlist.

Key element	Description
First Nations engagement and benefits	First Nations people and communities are important partners in the clean energy transformation. The Australian Government is committed to meaningful engagement with Aboriginal and Torres Strait Islander peoples to contribute to Closing the Gap, and to drive industry support for economic and social benefits while achieving our energy transition priorities. First Nations engagement and commitments will be assessed against Merit Criteria 3 and 6 , to form contractually binding commitments. The assessment is looking for evidence of respectful and productive engagement with First Nations communities, and for First Nations groups to be afforded genuine social and economic opportunities through the CIS.

Proposed key stages in the Tender 2 Process

Proposed key stages in the Tender 2 process	
 <p>Registration</p>	<p>Registration is the first step in the Tender 2 Process. A Proponent must create an account in the Online Portal on AEMO’s website to register for the CIS and to register a project. Each project must be registered separately.</p> <p>Registration will open on mid-July 2024 and close 5 business days before Stage A - Project Bid submissions close. A Stage A - Project Bid can only be submitted following Registration.</p>
 <p>Stage A - Project Bid</p>	<p>Project Bids are assessed against the proponent and project Eligibility Criteria. Proponents and projects for the Tender 2 Process must demonstrate compliance with the eligibility criteria before being competitively assessed against Merit Criteria. Proponents that do not meet all eligibility criteria will not be further considered in Tender 2.</p> <p>The purpose of the Project Bid assessment is to select a shortlist of Project Bids to progress to Stage B – Financial Value Bid.</p> <p>Bids that are assessed as low merit against any of Merit Criteria 1-3 may not be assessed further during Stage A and may not be shortlisted for progression to Stage B - Financial Value Bid.</p>
 <p>Stage B - Financial Value Bid</p>	<p>Financial Value Bids are assessed against Merit Criteria 4-6.</p> <p>The purpose of the Financial Value Bid assessment is to develop a financial value shortlist to progress to Stage C – Due Diligence and Recommendations.</p> <p>At Stage B, projects will be assessed against the Merit Criteria to determine a financial value shortlist. Bids that are assessed as being of low merit against any Merit Criteria 4-6 may not be considered for the financial value shortlist.</p>
 <p>Stage C - Due Diligence and Recommendations</p>	<p>Due diligence may be undertaken on projects which progress to Stage C.</p> <p>A recommended list of bids will be provided by AEMO to the Australian Government based on the outcomes of the merit assessment, due diligence and CISA contract negotiations (if any). The Minister for Climate Change and Energy (the Minister), on behalf of the Australian Government, will approve the Proponents and projects to receive revenue support under the CIS, based on the recommendation of AEMO.</p>

Proposed Tender Process Deed Poll

Proponents who wish to submit a bid will be required to execute a Tender Process Deed Poll and include it with their project bid.

The Tender Process Deed Poll will include, amongst other things:

- an acknowledgment that the Proponent accepts and is bound by the Tender Guidelines,
- a warranty that the Proponent has, and its associates have, complied with the Tender Guidelines in respect of its and their participation in the Tender 2 Process, and
- a warranty as to the truth and accuracy of the information submitted by the Proponent.

Proposed Eligibility Criteria

The proposed Proponent and project Eligibility Criteria are listed below. Project Bids submitted by Proponents that do not meet all Eligibility Criteria will not be further considered.

Proposed Proponent Eligibility Criteria

Item	Criteria
EC1	The Proponent must: a) at the time of submitting the project Bid, hold an Australian Business Number (ABN); and b) be one of the following: <ul style="list-style-type: none">• an Australian entity incorporated under the <i>Corporations Act 2001</i> (Cth);• a Commonwealth Entity, as described in section 10 of the <i>Public Governance, Performance and Accountability Act 2013</i> (Cth) (Commonwealth Entity);• an Australian State or Territory owned (wholly or partly) corporation or a subsidiary of a State or Territory owned (wholly or partly) corporation; or• an Australian local government or council or an Australian organisation that has the purpose of representing and supporting local governments or councils.
EC2	The Proponent, its consortium members ² and its or their respective related bodies corporate must not have had a judicial decision relating to employee entitlements made against it (not including decisions under appeal), in respect of which the Proponent, its consortium members and its or their respective related bodies corporate has failed to pay any amounts required to be paid following that judicial decision.
EC3	The Proponent, its consortium members and its or their respective related bodies corporate must not be named as an organisation that is currently not complying with the <i>Workplace Gender Equality Act 2012</i> (Cth) (WGEA). The Proponent must make a declaration in the bid form to demonstrate that it, its consortium members and its or their respective related bodies corporate understand and meet their respective obligations, if any, under WGEA.
EC4	The Proponent, its consortium members and its or their respective related bodies corporate must not, within the previous 10 years, have been subject to an inquiry by the National Anti-Corruption Commission, or an equivalent body in a jurisdiction in Australia, where a finding has been made against one of them (including a finding that one of them has engaged in corrupt conduct).
EC5	The Proponent, its consortium members and its or their respective related bodies corporate must not be named as an organisation on the Consolidated List maintained by the Australian Sanctions Office within the Department of Foreign Affairs and Trade.

² Consortium members may include:

- sponsor(s) of the proponent and/or bid entity;
- any special purpose vehicle or bid entity that is intended to enter into the project documents, subject to the Australian Government's approval; and
- any additional entity included in the proponent subject to the Australian Government's approval.

Item	Criteria
EC6	If the Proponent, its consortium members and its or their respective related bodies corporate is a 'reporting entity' under the <i>Modern Slavery Act 2018</i> (Cth), they must have complied with their obligations under that Act, including (if applicable) registering a Modern Slavery statement with the Attorney General's Department.
EC7	The Proponent must propose one bid entity, which may be the proponent and which, at the time of the execution of the CISA, must be a special purpose vehicle which: <ul style="list-style-type: none"> (a) itself satisfies Eligibility Criterion 1; (b) only carries on the project and conducts no other business; and (c) holds all of the assets, and is entitled to all of the revenue, of the project.

Proposed project Eligibility Criteria

Item	Criteria
EC8	The project must: <ul style="list-style-type: none"> a) connect to the SWIS; and b) be a Registered Facility, or must state in its application that it intends to register as a Registered Facility, under the WEM Rules.
EC9	The project must: <ul style="list-style-type: none"> a) have a nameplate capacity of not less than 30MW; and b) be able to dispatch its nameplate capacity continuously for a minimum duration of 2 hours.
EC10	The project's fuel source must either: <ul style="list-style-type: none"> a) be an eligible renewable energy source, as described in section 17 of the Renewable Energy (Electricity) Act 2000 (Cth) and eligible to create large-scale generation certificates under that Act; or b) charge from the SWIS; or c) a combination of a) and b). Projects that: <ul style="list-style-type: none"> a) are virtual power plants, demand response or other virtual aggregation and flexible loads; or b) use native forest wood waste; are not eligible.
EC11	The project must not have been awarded Capacity Credits in a Reserve Capacity Cycle (RCC) prior to the 2023 RCC.
EC12	The project must not be party to (or have been awarded) a long-term (10 years or more) revenue underwriting agreement with the Australian Government or WA Government under which: <ul style="list-style-type: none"> a) 50% or more of the project's nameplate capacity is contracted for a purpose under that revenue underwriting agreement, and b) the project receives or is or will become entitled to receive either periodic or ongoing payments under that revenue underwriting agreement (Revenue Support). For the purposes of this Eligibility Criterion, Revenue Support excludes: <ul style="list-style-type: none"> a) non-concessional funding provided by the Clean Energy Finance Corporation (CEFC) b) revenue associated with certificates created or received under an Australian Government, or WA Government capacity, generation or green certificate scheme c) financial incentives or payments received from an Australian Government, State or Territory to alter electricity consumption to influence electricity demand d) investment received from an Australian Government or WA government body e) grants from an Australian Government or WA Government body, whether repayable or not.
EC13	The project must not be party to (or have been awarded) a contract with AEMO under the Non-Co-optimised Essential System Services (NCESS) framework prior to their commercial operation.
EC14	The project must be the subject of an enquiry to notify Western Power of a proposed connection application.

Merit assessment and criteria

Projects will be assessed against six Merit Criteria across Stage A and Stage B, followed by Due Diligence in Stage C:




- **Stage A - Project Bid assessment** will assess a project’s technical, commercial, and First Nations and community engagement merit.
- **Stage B - Financial Value Bid assessment** will require shortlisted projects to submit financial value bid, commercial departures, and social licence commitments.
- **Stage C - Due Diligence** may be undertaken on bids that are on the financial value shortlist.

The purpose of merit assessment is to select projects that can demonstrate the highest levels of merit compared to other projects in Tender 2. Successful projects will be required to demonstrate strong performance against all the Merit Criteria outlined in the relevant CIS Tender Guidelines.

Stage A and Stage B Merit Criteria will be weighted. The final weightings will be provided in the Tender Guidelines.

Proposed Merit Criteria – Stage A

The proposed Project Bid Merit Criteria and a description of how it is anticipated that proponents can demonstrate the merit of their project are listed below.

	Merit Criterion 1 – Project deliverability and timetable
	Merit Criterion 2 – Organisational capability to deliver project
	Merit Criterion 3 – First Nations engagement, community engagement and benefits sharing

Merit Criterion 1 – Project deliverability and timetable

This criterion will be used to assess the project’s ability to be operational by the Target COD. Proponents that can provide detailed evidence to demonstrate their ability to deliver each milestone, with clear articulation of strategies for mitigating delivery risks, are likely to be assessed more favourably. Successful proponents will have the target financial close, COD, and other key dates scheduled as milestones in the final CISA.

What is assessed?	What is required?	What are we looking for?
<ul style="list-style-type: none"> • A project’s progress towards achieving key development milestones and feasibility of reaching its target COD. This includes: <ul style="list-style-type: none"> – Alignment between the target date for achieving financial close and the plan to achieve COD. – Understanding of key development and construction 	<p>Development pathway</p> <ul style="list-style-type: none"> • A project development plan and schedule. The project development plan should include, in addition to standard inclusions, a Gantt chart, key assumptions that have been made in the project development plan and the governance framework for the Project. 	<p>Target COD</p> <p>Projects seeking Capacity Credits for the first time in the 2024 RCC should have a COD no later than 1 October 2026 or as stipulated in the 2024 RCC.</p> <p>All other projects must demonstrate they can achieve a COD no later than 1 October 2027 or as stipulated in the 2025 RCC.</p>

What is assessed?	What is required?	What are we looking for?
<p>risks, including mitigation strategies, to achieve Target COD.</p> <ul style="list-style-type: none"> • Financing strategy and financial capacity to support the development, construction and operation of the project. • Contracting strategy and progress in securing partners and suppliers to deliver the project. 	<ul style="list-style-type: none"> • Site map of the project, including project site and all relevant easements, with cadastral ID, and Proponent land tenure rights, infrastructure and/or construction needs. • Planning approval documentation (e.g. Environmental Impact Assessment, Development Application lodgement, notification, Development Consent decision notice). • If applicable, progress towards approvals required under the <i>Environment Protection and Biodiversity Act 1999</i> (Cth) (EPBC Act). • If applicable, progress towards compliance with applicable Commonwealth and State legislation relating to First Nations communities and interests, Traditional Owner Groups and cultural heritage requirements, for example, <i>Aboriginal and Torres Strait Islander Act 2005</i> (Cth); <i>Native Title Act 1993</i> (Cth) and other relevant legislation as applicable. • Evidence of connection approval progress, such as: <ul style="list-style-type: none"> – Arrangement for Access from Western Power. – Status of network access contract. – Grid connection studies, preliminary assessment undertaken, payment of fees to progress grid connection application. – Evidence of progress of the Generator Performance Standards (GPS) registration with Western Power, in accordance with the WEM Rules. • A project risk register that outlines key risks and relevant mitigants (e.g. risks to securing grid connection, risks of future transmission network augmentations not occurring as planned, risk of not achieving financial close and/or COD as planned, Project cost/funding uncertainties, Project governance risks, stakeholder and cultural heritage risks, other construction risks, etc.). 	<p>Development pathway</p> <ul style="list-style-type: none"> • Land tenure rights secured for all of the project site (e.g. ownership, leases, or options), including the connection route if the connection route is the responsibility of the project. • Advanced grid connection progress with Western Power and AEMO in relation to the project. • Evidence of progress towards securing all relevant planning and regulatory approvals and a pathway for securing any outstanding approvals required, including, when applicable, a clear pathway for resolving any ongoing concerns or queries of the authorities providing the requisite planning and regulatory approvals. • Evidence of progress towards compliance with applicable Traditional Owners and First Nations legislative and regulatory requirements. • A clear understanding of the project risks (including but not limited to risks to securing grid connection, reaching COD, project governance risks, stakeholder and cultural heritage risks, construction and financing risks) and identified appropriate mitigants to resolve or reduce the associated risks.

What is assessed?	What is required?	What are we looking for?
	<p>Financing and revenue strategy</p> <ul style="list-style-type: none"> • A corporate structure diagram of the Project/Bid Entity, outlining the relevant parent, subsidiary, and related entities, and detailing relevant financial arrangements at each level. • A financing strategy or plan and a revenue contracting strategy or plan, including: <ul style="list-style-type: none"> – Evidence of financing progress (e.g. approved development funding, approved early construction budget). – A detailed plan for raising capital, including outline of resources with demonstrated track record of raising capital. – Proponents intending to utilise equity financing or corporate level debt facilities should provide details on the current availability of such facilities and the level of organisational endorsement and/or approvals for using such facilities concerning the project (e.g. evidence of engagement with debt/equity financiers, firm financial commitments/contracts, security provided or proposed to be provided to a lender in respect of financing the project). – Project revenue strategy including contracting plan, and (as relevant) status of bilateral contracts and offtake agreements. 	<p>Financing and revenue strategy</p> <ul style="list-style-type: none"> • A clear pathway and detailed steps to financing the project and achieving the target dates for financial close and COD. • Evidence of progress towards finalising capital raising activities, substantiated through supporting documentation.
	<p>Construction contracting</p> <ul style="list-style-type: none"> • Project delivery contracting structure and/or commercial delivery model in diagrammatic representation, including all relevant works packages and activities related to procurement and construction of the project. • Evidence of engagement with construction contractors and equipment manufacturers, such as: <ul style="list-style-type: none"> – EPC contractor and/or major equipment manufacturer engagement (e.g. correspondence, term sheet, early works contracts). – Technical design summaries, 	<p>Construction contracting</p> <ul style="list-style-type: none"> • Demonstrates a clear understanding and has identified the required commercial delivery model to develop the project. • Demonstrates progress toward securing relevant project agreements (e.g. construction contracts).

What is assessed?	What is required?	What are we looking for?
	and/or other activities related to procurement and construction of the project.	

Merit Criterion 2 – Organisational capability to deliver the project

This criterion will be used to assess the track record, capability and capacity of the Proponent and its delivery partners involved in the project to provide assurance that the project can be delivered as outlined in the project Bid.

What is assessed?	What is required?	What are we looking for?
<ul style="list-style-type: none"> The capability and track record of the Proponent (including its management and personnel) and its key delivery partners (including consortium members, suppliers, and contractors) involved in the project. Experience in engaging with relevant stakeholders required to deliver the project, including public authorities, communities, trade unions, regulatory entities, and contractors). The capacity of the Proponent and its delivery partners to dedicate the necessary resources to deliver the project on time, and to meet quality requirements and budget. 	<ul style="list-style-type: none"> Diagrams showing the corporate structure for the direct and indirect equity owners of the Proponent and Bid Entity and the contracting structure and/or delivery model for each of the Construction Period and Operations Period and/or commercial delivery model. An overview of the credentials and capabilities of the Proponent (or Consortium) and its (or their) personnel responsible for the delivery of the project, including information on the track record of the Proponent’s relevant projects delivered and/or operated in the last five (5) years. Roles and responsibilities of key resources required to deliver the project, including consultants, advisors, and delivery partners. 	<ul style="list-style-type: none"> Proponent and its delivery partners demonstrate a track record in delivering comparable projects (e.g. details of comparable projects, list/summaries of previous projects delivered). Information about any material work, health and safety incidents involving the Proponent or its Contractors, including evidence of steps taken to mitigate the likelihood of future incidents. Confirmation of compliance with applicable environmental regulations and industry standards. Instances of non-compliance, breach or default in previous or current comparable projects should be disclosed, including reasons for non-compliance and information regarding how the non-compliance was resolved. Proponent demonstrates a detailed and thorough understanding of the skills and experience required to deliver the project with a plan for procuring them and includes detailed information about the availability of these resources with a strategy for securing them, if not already secured.

Merit Criterion 3 – First Nations engagement, community engagement and benefits sharing

This criterion will be used to assess the Proponent’s approach to:

- engagement strategies and understanding of First Nations communities
- engagement strategies and understanding of stakeholders and local communities
- shared community benefit commitments to First Nations, local community and stakeholders for the project.

First Nations engagement

What is assessed?	What is required?	What are we looking for?
<ul style="list-style-type: none"> The Proponent's approach to engagement with First Nations communities. Proponent's plan for and ability to demonstrate positive approaches to inform, consult, involve, collaborate and empower First Nations communities to identify and realise benefits from the project. Level of understanding of the influence and change the project may have on the First Nations community and how the project will create benefits sharing during development, construction and operation. Commitment towards benefits sharing with First Nations communities. These commitments will become binding and will be subject to contractual monitoring and enforcement regimes if a Proponent is successful in the Tender Process. 	<p>Understanding First Nations communities:</p> <ul style="list-style-type: none"> Demonstrated understanding of local First Nations communities, consistent with applicable legislative requirements regarding First Nations, Traditional Owner Groups or cultural heritage. Detailed approach to First Nations community engagement, aligning with better practice engagement and applicable requirements set out in First Nations commonwealth and state legislation.³ Description of First Nations communities' acceptance for site selection and project layout, including consideration of community consultation and interests. <p>Understanding of impacts:</p> <ul style="list-style-type: none"> Approach to understanding and maximising positive impacts of the project on Traditional Owners and First Nations communities. Summary of consultation with First Nations communities that has occurred to date and planned engagement in the future. Evidence of having considered or incorporated the feedback from First Nations communities during project design, development, and future implementation. 	<ul style="list-style-type: none"> Clear identification and understanding of First Nations communities' views on the project, issues or the impacts raised, supported by evidence of appropriate engagement to date and evidence of early engagement. Evidence of First Nations better practice engagement and place-based design, when appropriate to the project site, including demonstration of culturally aware engagement that has led to, or is intended to establish, trust and meaningful relationships with relevant representative bodies. Level of understanding of First Nations community access to affordable and reliable electricity and access to quality public and private infrastructure. Active involvement of First Nations communities in the co-designing of benefit sharing schemes will be assessed favourably. Evidence of First Nations shared benefits established, or to be established, that have a long-lasting and meaningful positive impact on First Nations communities. The quality and positive change experienced as a result of initiatives will be valued over the quantum of initiatives.

Stakeholder and local community engagement and benefit sharing

What is assessed?	What is required?	What are we looking for?
<ul style="list-style-type: none"> The proponent's approach to engagement with stakeholders (e.g., potentially affected licence holders) and local communities and trade unions to foster local community support as well as deliver local workforce outcomes. Level of understanding of the influence and change the project may have on the community and how the project will create 	<p>Understanding community stakeholders:</p> <ul style="list-style-type: none"> Detailed approach to local community engagement, including communications protocol and complaints management. Demonstrated understanding of stakeholders including local community, councils, public authorities, regulatory entities 	<ul style="list-style-type: none"> Clear identification of the level of change that is expected to take place on stakeholders and communities and an understanding of their views, issues faced by them, supported by evidence of appropriate stakeholders and local community engagement to date and evidence of early engagement.

³ For example, where key stakeholders are corporations registered under the *Corporations (Aboriginal and Torres Strait Islander) Act 2006* (Cth), the Proponent is required to actively engage with the applicable Rule Book(s) of these key stakeholders when conducting its stakeholder mapping and determining how best to undergo consultation

What is assessed?	What is required?	What are we looking for?
<p>benefits sharing during construction and operation.</p> <ul style="list-style-type: none"> • These commitments will become binding and will be subject to contractual monitoring and enforcement regimes if a proponent is successful in the Tender 2 Process. 	<p>and trade unions with clear stakeholder mapping.</p> <ul style="list-style-type: none"> • Description of community acceptance for site selection and project layout, including consideration of community consultation and interests. <p>Understanding of impacts:</p> <ul style="list-style-type: none"> • Summary of consultation with stakeholders and local communities that has occurred to date. • Summary of the identified impacts that the project will have, or may be expected to have, on the stakeholders. • Evidence of having considered or incorporated the feedback from the local community during project design, development, and future implementation to maximise the project's benefits for community stakeholders. • Approach to maximise local workforce training and engagement strategies including through partnerships with trade unions, registered training organisations, group training organisations and established portable entitlement industry funds. <p>Shared community benefit commitments:</p> <ul style="list-style-type: none"> • Shared community benefit commitments for the project in the completed MC3 Returnable Schedule, including any specific First Nations benefit sharing initiatives. 	<ul style="list-style-type: none"> • Evidence of past stakeholder and local community engagement activities, including who was consulted and what communication tools were used. • Evidence of building trust with potentially impacted stakeholders and local communities. • Evidence of local community commitments and shared benefits established, or to be established, that have a long-lasting and meaningful positive economic and social impact on the beneficiaries. The quality and positive impact of initiatives will be valued over the quantum of initiatives. • Evidence of experience and / or a plan to develop local workforce capacity and capability including through engagement of apprenticeships, traineeships, pre-vocational programs and upskilling strategies. • Active involvement of local communities in the co-designing of benefit sharing schemes will be assessed favourably. • Demonstration of commitments to shared benefits that exceed the minimum requirements of state or local government development / planning approval processes.




The table below outlines the policy intention for shared community benefit commitments and provides examples of commitments that could demonstrate merit and support higher quality bid responses.

Shared community benefit commitments

Policy intention	Examples of what we are looking for
<p>To encourage the establishment of programs and/or initiatives that have long-lasting and meaningful impacts on the local community. The quality and impact of initiatives is valued over the quantum of initiatives.</p>	<ul style="list-style-type: none"> • Inviting local community to coinvest in the project with profit sharing arrangements with the community members. This can be implemented by projects that are in construction or that are already in operation. • Novel approaches to electricity access schemes where local communities benefit from lower prices and/or greater energy security through access to small scale solar and battery installations. • Optimised infrastructure to benefit neighbouring community upgrades to degraded land/waterways located near to the project. • Commitments to minimise environmental impacts and maintain high biosecurity standards.

Proposed Merit Criteria – Stage B

Each proposed Financial Value Bid is expected to be assessed against the Stage B – Financial Value Merit Criteria below. The primary consideration in awarding the CISA to successful projects under the CIS will be value for money, which extends beyond cost considerations.

	Merit Criterion 4 – Financial value and capacity credits
	Merit Criterion 5 – Commercial departures
	Merit Criterion 6 – First Nations and social licence commitments

Merit Criterion 4 – Financial value and capacity credits

This criterion will be used to assess the financial value of the project and the ability of the project to receive capacity credits under the Reserve Capacity Mechanism as a measure of its contribution to system reliability and benefits.

Financial value

What is assessed?	What is required?	What are we looking for?
<ul style="list-style-type: none"> The benefit that the project's generation may have in the WEM, and the forecast cost of the CISA. This includes contribution of the project to the 82% renewable energy by 2030 target. Assessment will consider a range of energy market scenarios to test Financial Value Bids for their ability to demonstrate value across a diverse range of future outcomes. 	<ul style="list-style-type: none"> Completed returnable schedule, that includes Key Commercial Terms, including: <ul style="list-style-type: none"> Annual Revenue Floor Annual Revenue Ceiling Annual Payment Cap CISA Start and End dates Technical information including: <ul style="list-style-type: none"> Degradation Expected operational guarantee life Fuel source Maximum capacity and storage capacity (if applicable) Target COD Location of Project and network connection point 	<ul style="list-style-type: none"> Projects with a relatively high ability to contribute to reducing wholesale electricity market prices and volatility. Projects with a relatively low forecast CISA cost. All else being equal, it is expected that the cost of a project will be reduced if it includes: <ul style="list-style-type: none"> Low Annual Revenue Floor Low Annual Revenue Ceiling Low Annual Payment Cap

Capacity credits

What is assessed?	What is required?	What are we looking for?
<ul style="list-style-type: none"> • A project's ability to receive Capacity Credits under the Reserve Capacity Mechanism⁴ • A project's technical capability at different dispatch conditions. • Analysis of the project's Network Access Quantity (NAQ). 	<ul style="list-style-type: none"> • In addition to the technical information sought under Financial Value: <ul style="list-style-type: none"> – Documented evidence to support the Declared Sent Out Capacity (DSOC) and charge level capability data for each year of the expected life of the project. – Network access information provided by Western Power about the risk of the project's generation being constrained in different dispatch scenarios. • Proponents may provide additional qualitative or quantitative information, such as technical reports and/or independent studies, on the project's ability to alleviate network congestion and contribute to system reliability and/or provide other system benefits. 	<ul style="list-style-type: none"> • Projects that demonstrate an ability to receive a higher Network Access Quantity as a proportion of overall project size. • A low likelihood of generation being constrained in different dispatch scenarios.

Merit Criterion 5 – Commercial departures

This criterion will be used to assess the nature and extent of any commercial departures and the resulting risk-transfer from the proforma project documents, particularly the CISA.

What is assessed?	What is required?	What are we looking for?
<ul style="list-style-type: none"> • Materiality of changes to risk allocation and additional administrative burden from what is set out in the proforma project documents. 	<ul style="list-style-type: none"> • Completed departures table (returnable schedule), including the reason for requesting each departure. • Marked-up and clean version of the project documents in a form ready for acceptance, in both Word and pdf. • If an Alternative Financial Value Bid is to be submitted, only the Bid variables in the project documents have been amended when compared to the project documents submitted as part of the default Financial Value Bid. • Clean versions of the project documents in a form considered capable to acceptance and ready for execution by the Proponent. 	<ul style="list-style-type: none"> • Bids which accept the pro forma with no changes to the project documents' risk allocation, i.e. minimal to no departures from the proforma project documents. • If departures are proposed, they may be considered based on the nature and extent of the departure and its impact on: <ul style="list-style-type: none"> – the risk allocation to the Australian Government; – the administrative burden and cost to the Australian Government; or – consistency with the Australian Government's policy objectives.

⁴ Clause 4.10.1 of the WEM Rules

Departures from the proforma project documents that materially increase risk and administrative burden to the Australian Government are not expected to be assessed as high merit. Departures should be limited to those critical to the proponent’s commercial or technical requirements. All cases should consider the impacts of changing the proposed risk and administrative position in the proforma project documents.

Merit Criterion 6 – First Nations and social licence commitments

This criterion will be used to assess the quality of the project’s approach and strength of binding social licence commitments to improve First Nations economic and social outcomes, and regional economic development, including local supply chains and workforce.

First Nations commitments

What is assessed?	What is required?	What are we looking for?
<ul style="list-style-type: none"> Economic participation and/or financial commitments to be implemented by proponents for First Nations communities. Strategies and processes in place to ensure that commitments will be achievable. 	<ul style="list-style-type: none"> Commitments that provide economic benefits and empowerment for First Nations communities <ul style="list-style-type: none"> Commitments that consider and seek to address identified issues in the specific local community context and deliver economic and/or financial opportunities for the local First Nations community, as well as addressing any project-specific adverse impacts within the First Nations communities. Strategies and activities to demonstrate how commitments will be achieved. Completed First Nations component of the MC6 returnable schedule that includes all First Nations commitments. 	<ul style="list-style-type: none"> Commitments that have considered and incorporated feedback and interests in the design of the initiatives and are tailored specific to First Nations communities. Projects that demonstrate stronger financial commitments to First Nations communities (e.g. equity sharing, revenue sharing, employment and training opportunities etc.) may be found to be of higher merit.

The table below outlines the policy intentions for First Nations commitments and provides examples of commitments that could demonstrate merit and support higher quality bid responses.

Policy intention for First Nations commitments

Policy intention	Examples of what we are looking for
To provide First Nations people with opportunities to increase economic and social benefits.	<ul style="list-style-type: none"> Ownership, revenue sharing and energy offtake agreement models for Traditional Owner groups. Partnering with First Nations employment services during pre-construction to support hiring and ongoing management of First Nations workforce. Funding commitments to subcontract with First Nations businesses. Scholarships with local universities to support individuals transitioning from agricultural and mining sectors to the renewable sector. Funding to support work readiness (i.e. driver’s licence attainment, secure accommodation, pre-apprenticeship training).

Social licence commitments

What is assessed?	What is required?	What are we looking for?
<ul style="list-style-type: none"> Social licence commitments to be implemented by proponents within 	<ul style="list-style-type: none"> Social licence commitments that consider and seek to address identified issues in the specific local 	<ul style="list-style-type: none"> Commitments that have considered and incorporated community feedback and interests in

<p>the project's community.</p> <ul style="list-style-type: none"> • Strategies and processes in place to ensure that commitments will be achievable. 	<p>community context as well as addressing any project-specific adverse impacts within the local community.</p> <ul style="list-style-type: none"> • Strategies and activities to demonstrate how social licence commitments will be achieved. • Completed components of the MC6 returnable schedule that includes: <ul style="list-style-type: none"> – Commitments to local employment, including skills and training and labour standards adopted. – Commitments related to use of local content, including locally sourced materials and suppliers that support the development of Australian supply chains, including in renewable components and materials (includes assessment of pre-COD CAPEX and post-COD OPEX). 	<p>the design of the initiatives and are tailored specific to the local communities.</p> <ul style="list-style-type: none"> • Commitments to local employment and training, including the training of apprentices, as well as high labour standards. • Commitments that demonstrate an understanding of Australian supply chains and benefits, and the use of local content.
--	---	--

Frequently Asked Questions

This Frequently Asked Questions section is intended to provide stakeholders with an update on the expected design features of Tender 2 following the Western Australia design paper consultation process.

Arrangements for Tender 2 will be published in the Tender Guidelines to be released in mid-July 2024, when the registration and bid submission opens, and in the draft CISA. Information in the Tender Guidelines and draft CISA may include changes to matters set out below and take precedence over the information in this Market Brief.

CISA settings

1. How is Net Revenue calculated under the CISA?

The Dispatchable CISA will provide annual revenue underwriting calculated based on the units of \$ per MW of Capacity Credits held by the project in that year. If projects receive no capacity credits the CISA will remain in place, but the revenue support will be zero.

Net Revenue will include all sources of project revenue net of any permitted costs. Project revenues are expected to include capacity market revenues, market revenues, essential system services revenues and revenues under any Eligible Wholesale Contracts as defined in the CISA.

Permitted costs are expected to include costs in relation to the import of energy, costs incurred by the project in respect of Essential System Services, and payments under any Eligible Wholesale Contracts. Costs that are not expected to be considered permitted costs include:

- any other operations, maintenance or capital costs;
- any taxes; any fines or penalties;
- any damages (including liquidated damages), warranty payments, or payments related to non-performance under an Eligible Wholesale Contract; and
- any costs associated with refunds of capacity credits due to failure to satisfy WEM Rule obligations.

Further details will be provided in the Tender Guidelines and draft CISA.

2. What are Eligible Wholesale Contracts and how are these treated under the Dispatchable CISA?

The CIS aims to encourage proponents to participate in the contracts market. However, there are likely to be some limitations on the type of contracts (Eligible Wholesale Contracts) that can be included in the CISA revenue calculation. These limitations are likely to include a requirement that contracts be signed on a bona fide and arm's length basis. Additional restrictions may apply for contracts with a related body corporate. Further details of these restrictions will be provided in the Tender Guidelines and draft Dispatchable CISA.

3. Why is a Special Purpose Vehicle required?

A Special Purpose Vehicle (SPV) established for the sole purpose of carrying on the Project is required to be the Project Operator of a CISA. This is necessary to establish a clear and transparent structure for the calculation of operational net revenue and provide clarity and safeguard the

interests of all parties. Under Eligibility Criteria 7, the SPV requirement will apply to the bid entity, not the Proponent. This gives the opportunity for the Proponent to establish an SPV if successful, and not as a condition of entry into the Tender Process. The SPV must be established prior to the signing of the CISA.

Interaction with Reserve Capacity Mechanism

4. How will the CIS complement the Reserve Capacity Mechanism?

The Reserve Capacity Mechanism (RCM) is designed to ensure there is sufficient peak generation capacity in the WEM, in line with the Reserve Capacity Requirement (RCR) published two years ahead through the WEM Electricity Statement of Opportunities. An annual certification process aims to procure this RCR, with Certified Reserve Capacity (a MW value) assigned to successful projects based on their physical/technical capability. Further information on the RCM is available on the [AEMO website](#).

The CIS is designed to be closely integrated with the RCM to drive capacity investment in the WEM. All CIS projects will be required to participate in the RCM and be eligible to receive Capacity Credits.

Projects will be assessed on their ability to receive capacity credits under the RCM as a measure of their contribution to system reliability and benefits (see Merit Criterion 4). In the Dispatchable CISA, underwriting will be determined based on a project's net revenue per unit of Capacity Credit (\$/MW) and the project's floor, ceiling and annual cap bids.

The assessment of a project's contribution to system reliability and system benefits will be included at Stage B under Merit Criterion 4. This is a different arrangement to previous CIS tenders to maintain alignment with the RCM assessment process.

5. How will the timing of the CIS align with the RCM process?

CIS tenders will operate in advance of the RCM process to allow projects to reach financial close ahead of their RCM applications. This means that the selected CIS projects from this tender will be required to participate in the 2027-28 RCM Capacity Year, which is expected to open for applications from April to June 2025. Projects that are successful in the 2024 RCM round and projects that were successful in the 2023 RCM round are also eligible for CIS support through this tender, subject to other eligibility criteria. Projects that received capacity credits in the RCM in 2022 and prior are ineligible.

6. What is the Electric Storage Resource Obligation Duration and how is it treated under the CIS?

The Electric Storage Resource Obligation Duration (ESROD) defines the number of trading intervals in which storage projects participating in the RCM are obliged to make their capacity available during peak periods. The ESROD can be changed if AEMO assesses that there is an Availability Duration Gap under the WEM Rules. Further information is available on the [AEMO website](#).

Any battery that has storage duration equal to or greater than the ESROD receives capacity credits up to their maximum discharge power over this period. Projects with shorter duration have their capacity credits linearly derated in line with their capacity over the ESROD. In the Dispatchable CISA, if the quantity of capacity credits assigned to a project decreases due to changes in the ESROD, then

the calculation used for assigning the annual floor and ceiling for the project will be adjusted by a scaling factor to maintain underwriting at the level it would have been before the ESROD change.

Decreases in capacity credits due to other causes may not be compensated for and could result in decreases in the overall annual underwriting floor and ceiling provided by the CIS.

Eligibility

7. How are hybrid projects treated under the CIS?

Hybrid projects are those that include co-located generation and energy storage assets.

Eligible hybrid projects for Tender 2 are those where all assets:

- have the same connection point, and
- are owned by the same special purpose vehicle, and
- the energy storage asset is a Separately Certified Component under WEM Rules;

Projects that have separate connection points for the generation and storage assets are considered separate projects rather than hybrid projects for the purposes of Tender 2 and only the storage project will be eligible under Tender 2.

Projects that combine multiple energy storage assets (e.g., BESS and pumped hydro) with a common connection point will not be considered a hybrid project for the purposes of Tender 2. Instead, these projects will be treated as a single project under Tender 2.

Contribution to the 82% renewable energy by 2030 target and reduction in consumer prices are important parts of the Financial Value Criteria MC4. Suitably located hybrid projects may be able to reduce curtailment of renewable generation which may be valued in the MC4 assessment. Hybrid proponents will also need to consider the ability of the transmission infrastructure in the project location to enable sufficient capacity credits in the Network Access Quantity assessment.

8. Can staged projects and/or projects with multiple connections participate in the CIS?

Proponents with staged projects and/or projects with multiple connections may need to consider how to participate in Tender 2. The definition of what constitutes a staged project has not been finalised and decisions in this regard may be made on a case-by-case basis during the assessment process. The following are indicators of a staged project:

- The project has multiple grid connections and/or AEMO registrations.
- Each stage of the project is in principle capable of being owned by different equity holders, financed by different debt providers, or built by different engineering, procurement and construction contractors.
- Stages of the project may share infrastructure, but an initial stage is not necessarily dependent on a subsequent stage. Projects that bid wholly in a single tender round will be assessed against the Merit Criteria and Eligibility Criteria as a single project.

9. Are Virtual Power Plants (VPPs) eligible?

Virtual power plants, demand response, and other virtual aggregation and flexible load technologies will not be eligible to bid in this tender round. However, the inclusion of these technologies in future

clean dispatchable tender rounds is being considered and subject to the development of an appropriate methodology for valuing and comparing these technologies.

10. Are community energy projects eligible?

If a community energy project and associated project proponent meet the Eligibility Criteria, they will be eligible to participate in this tender process.

Assessment approach

11. Will the lowest floor price bid be guaranteed to receive a CISA?

No. The aim of the CIS is to attract the best quality projects based on a holistic value for money assessment. The overall expected cost of supporting the project will be assessed based on a number of electricity market modelling scenarios and will include projections of the revenue to be received by the project. Therefore, a project with a higher floor and higher expected revenue may be forecast to require less support than a project with a lower floor and lower revenue.

The assessment process will also include factors such as timing, contribution to system benefits, deliverability, organisational capacity and community and First Nations engagement and shared benefits.

Proponents should aim to bid at a price that is both competitive and sufficient to allow the project to operate sustainably.

12. How will the cap be assessed with reference to the floor?

All Financial Value Bid aspects, including the floor, ceiling, and annual support cap, as well as a project's expected revenue over the support period will be assessed to determine the total expected value of net support (or revenue sharing from the project) over the duration of the support period across a range of different WEM modelling scenarios.

Community engagement and shared benefits

13. How is the CIS going to improve economic and social outcomes for First Nations people, communities and local economies?

Driving positive social licence outcomes and shared benefits is vital for the transition to a net-zero economy.

The Australian Government is committed to ensuring CIS supported projects provide strong commitments for social and economic benefits to First Nations people and local communities by using local content, harnessing supply chain opportunities and providing job opportunities. These commitments will become contractually binding for successful projects.

The Australian Government will provide additional information on the expectations for the social licence criteria Merit Criteria, MC3 and MC6, through webinars, market briefing documents and in the Tender Guidelines.

14. What environmental requirements are applicable to CIS projects?

CIS projects are expected to meet all necessary Commonwealth, and state, territory and local environmental and planning laws and requirements as updated from time to time.