



Australian Government

Department of Climate Change, Energy,  
the Environment and Water

# Capacity Investment Scheme

## Market brief on Tender 4: National Electricity Market – Generation

28 November 2024



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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 4 – National Electricity Market Generation*. The rollout of Tender 4 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.

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### **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.

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## Purpose

The purpose of this market brief is to provide information to potential proponents (Proponents) about the upcoming **Capacity Investment Scheme (CIS) Tender 4: National Electricity Market (NEM) – Generation (Tender 4 or Tender 4 Process)**. Tender 4 is expected to open for registrations on 28 November 2024 and open for Stage A bid submissions in mid-December 2024.

This document provides an overview and updates to policy positions for Tender 4. Information provided is indicative, intended to provide high-level guidance for Proponents. Full details, including the Eligibility Criteria and Merit Criteria, will be published at commencement of Tender 4 in the Tender Guidelines and the draft Generation Capacity Investment Scheme Agreement (CISA). Please see the disclaimer on Page 2 of this document for more information.

Proponents should note that:

- The Australian Government has engaged the Australian Energy Market Operator (AEMO) to assist with the administration of the Tender 4 Process.
- Tender 4 Process is not a procurement for the purposes of the *Commonwealth Procurement Rules*.

## Context

The Australian Government is working to accelerate investment in new renewable energy generation, such as wind and solar, and clean dispatchable capacity, such as battery storage through the CIS.

Through a series of competitive tenders for underwriting contracts, the CIS is delivering 32 gigawatts of capacity by 2030. This capacity can help by:

- filling expected reliability gaps as ageing coal-fired power stations retire and demand for electricity grows
- placing downward pressure on electricity prices
- supporting the government's 82% renewable electricity target by 2030

CIS tenders will be held around every 6 months in the NEM and around every 12 months in the Western Australian Wholesale Electricity Market (WEM) until the end of 2026.

Proponents will bid for a CISA which is a contract between the successful Proponent for a project and the Australian Government. A CISA:

- provides partial revenue support for nominated support periods where a project's net revenue falls below an agreed 'floor' (subject to an agreed annual cap)
- requires projects to pay a percentage of net revenue to the Australian Government where net revenue exceeds an agreed 'ceiling' (subject to an agreed annual cap).

Overall value for money, which extends beyond cost considerations, is the primary consideration in awarding a CISA to a successful project. Projects will be assessed on expected financial cost, and additional criteria including:

- ✓ expected timeframe for delivery and delivery risks
- ✓ contribution to reliability and system benefits
- ✓ ability to deliver strong benefits to the local community, including support for local jobs and local content
- ✓ culturally aware First Nations engagement, including shared economic and social benefits with First Nations communities

The delivery of sufficient support through the CIS allows projects to proceed and operate sustainably in an environment with high levels of renewables penetration.

For further information on the CIS tenders please visit the [AEMO Services webpage](#) and the [Capacity Investment Scheme webpage](#) on the Department of Climate Change, Energy, the Environment and Water’s (DCCEEW) website.

## Tender 4 Sizing and Allocation

With an indicative target of 6 GW, Tender 4 will invite bids for renewable energy generation projects in the NEM.

A Market Brief has been [released on the AEMO Services website](#) providing information about the CIS allocations of renewable generation and dispatchable capacity agreed through Renewable Energy Transformation Agreements (RETAs). RETAs are bilateral agreements between the Australian Government and jurisdictions to achieve shared objectives in the renewable energy transformation.

The jurisdiction allocations for Tender 4 are provided below in Table 1. Eligible projects from all NEM jurisdictions, including the ACT and Queensland, can submit bids for competitive assessment from the unallocated portion of the CIS Tender 4 (1.8 GW).

**Table 1. Jurisdiction allocations for Tender 4**

Jurisdiction	Tender 4 generation allocations (GW) <sup>1</sup>
New South Wales	2.2*
South Australia	0.3
Victoria	1.4 <sup>^</sup>
Tasmania	0.3
Unallocated	1.8
Total	6

\* NSW has a total cap of approximately 7.1 GW, less the capacity of NSW projects selected in CIS Tender 1.

<sup>^</sup> A maximum technology award cap of 750 MW for solar and solar hybrid projects applies for Victoria.

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<sup>1</sup> Subject to the assessed merit of projects.



## Tender 4 Key Dates

The Tender 4 Process will be run similarly to the previous NEM tenders<sup>2</sup>. Table 1 provides a high-level overview of the key stages and dates for the Tender 4 Process.

**Table 1 - Key Dates**

Step	Indicative key dates
	Registration opening date 28 November 2024
	Tender 4 Guidelines released and Project bids open 13 December 2024
	Registration closing date 11 February 2025 at 5:00pm AEDT
	Stage A – Project Bid closing date 18 February 2025 at 5:00pm AEDT
	Invitation to submit Stage B – Financial Value Bid May 2025 (indicative)
	Stage B – Financial Value Bid closing date June 2025 (indicative)
	Announcement of successful bids October 2025 (indicative)

*\*NOTE: These dates are indicative and **subject to change**. Final dates will be communicated throughout the Tender.*

Project Bids must demonstrate compliance with all proponent and project Eligibility Criteria before being competitively assessed. If eligible, projects will be assessed against nine Merit Criteria across

<sup>2</sup> Information and documents for previous tenders can be found on the [AEMO Services website](#). This includes the NEM Tender 1 – NEM Generation Tender, Tender 3 – NEM Dispatchable Tender, and the SA-VIC Dispatchable Tender.

Stage A and Stage B. Stage C - Due Diligence on Bids may be undertaken at any time during the tender process . Project bids that do not continue to meet all eligibility criteria throughout the tender will cease to be considered, and bids that are assessed as low merit against any of the Merit Criteria may not be assessed further.

## Key Changes

This tender (Tender 4 - NEM Generation) is built on the [Tender 1 - NEM Generation](#), and also incorporates some features from [Tender 3 - NEM Dispatchable](#) and [SA-VIC Dispatchable Tender](#). The sections below outline the changes to the key design elements between this tender and these previous tenders.

*Note: Tender 2 – WEM Dispatchable should not be considered a precedent for this tender, given the significant differences between the WEM and the NEM.*

## Hybrids

### Bidding options

A hybrid project may participate in either Tender 3 or Tender 4, but not both.

In Tender 1, Proponents were able to submit both a Generation (Non-Assessed) Project Bid and a Hybrid (Assessed) Project Bid. In Tender 4, a Proponent bidding a Hybrid Project must submit either a Generation Project Bid or a Hybrid Project Bid, not both. Submitting both a Generation and Hybrid Bid constitutes a Duplicative Bid and may deem the Project bids ineligible.

Further guidance for hybrid bidding options and interactions with other CIS tenders will be provided in the Tender Guidelines.

### Metering for DC-coupled hybrids

The Australian Government recognises the challenges and costs associated with using revenue-quality sub-metering for DC-coupled Hybrids. The Australian Government welcomes proposals for alternative cost-effective metering arrangements for DC-coupled hybrids, which may take the form of proposed text in the draft CISA submitted at Stage A. The Australian Government will consider proposals and may accept or adopt them, provided the proposed approach is able to distinguish the relevant volumes under the CISA with acceptable accuracy, precision, and reliability.

## First Nations and Social Licence

The Australian Government is embedding strong social licence policy expectations on renewable energy project proponents who receive funding support for projects. This is to deliver positive social and economic outcomes from CIS supported projects.

Updated policy expectations are in response to feedback from stakeholders including First Nations groups, Australia's manufacturing sector, unions, peak bodies, and regional and community organisations.

Projects will be attributed higher merit where they meet the relevant requirements of the merit criteria, including where they can demonstrate better practice and genuine:

- First Nations engagement, and First Nations social and economic benefits
- community engagement, and social and economic benefits
- demonstrated use of local content, employment, skills and training
- adoption of high labour standards

The Australian Government will continue to evolve the design of the CIS through the life of the program drawing on lessons learnt from previous tender rounds and market developments. Similarly to Tender 3, the Tender 4 process will incorporate First Nations Eligibility Criteria and Merit Criteria as outlined below. A separate Social Licence Market Brief will not be published for Tender 4.

### **First Nations**

A new First Nations eligibility criterion will be introduced, which requires Proponents to demonstrate a clear intent and commitment to uphold First Nations legal protections. Under the new eligibility criterion, Proponents, its Consortium Members, and its and their Related Bodies Corporate, must warrant they have not previously breached First Nations cultural heritage, environmental and racial discrimination protection laws. The laws will cover:

- *Racial Discrimination Act 1975 (Cth)*
- *Aboriginal and Torres Strait Islander Heritage Protection Act 1984 (Cth)*
- *Environment Protection and Biodiversity Conservation Act 1999 (Cth)*
- *Protection of Movable Cultural Heritage Act 1986 (Cth).*

Similarly to Tender 3, there will be standalone First Nations Merit Criteria, which will allow an assessment of First Nations outcomes separately to outcomes for general host communities.

Tender 1 Merit Criterion 4 - First Nations engagement, community engagement and benefits sharing will be separated into a First Nations engagement criterion and a community engagement criterion for Tender 4.

Tender 1 Merit Criterion 7 - First Nations and Social Licence Commitments will be split into a First Nations commitments criterion which is separate from the community, local employment and local content criterion.

Full details on these and associated weightings will be published in the Tender Guidelines.

Projects will be attributed higher merit where they can meet the relevant requirements of the First Nations Merit Criteria, including where they:

- fund programs to help First Nations people to enter the workforce and remove known blockages for entering (i.e. trade skills and licencing requirements, and small business readiness programs).
- can meet (where locationally practical to do so) the [Australian Government's Indigenous Procurement Policy targets](#), that range from 2.5% to 3% from 2025 to 2027 for Commonwealth non-corporate entities.



### ***First Nations equity and revenue sharing set aside for 2026 tenders***

Although not applying to Tender 4, a First Nations equity and revenue set aside (set aside) will be co-designed in 2025 with First Nations stakeholders and the renewable energy industry to maximise positive outcomes for First Nations people and projects.

The set aside will apply to tenders in 2026, with a minimum megawatt (MW) allocation set aside for exemplar projects that have put in place First Nations equity and/or revenue sharing agreements. This is aimed at delivering projects that ensure economic benefits are shared and support genuine formal partnerships and shared decision-making with First Nations people to drive the renewable energy transition.

The department will seek feedback on appropriate eligibility criteria for projects to bid for the set aside and appropriate equity sharing percentage ranges to award higher scoring. The set aside will also promote leading practice engagement, co-design and benefit sharing practices to support the expected upcoming release of the First Nations Clean Energy Strategy.

### **Community engagement and benefits**

Projects will be attributed higher merit where they meet the relevant requirements of the merit criteria, including where they:

- involve project co-design with the community
- provide co-ownership and co-investment opportunities and/or
- provide benefit sharing governance models that promote strategic regional benefit disbursements

As noted above, alongside a separate First Nations Merit Criterion, a standalone Merit Criterion for local content, employment and community benefits will be included.

### **Local content and employment**

In Tender 1, Merit Criterion 7 – First Nations and social licence commitments, stated that projects may be found to be of higher merit if they meet certain local content and local employment targets.

In Tender 4, projects will be found to be higher merit if they can meet local content and local employment targets.

Local content targets will be based on those established by the [NSW Renewable Energy Sector Board Plan](#) (see Table 3), including a stretch goal of using 95 per cent locally milled steel in steel products and components.

**Table 2 - NSW Renewable Energy Sector Board Plan: local content targets**

Supply chain input criteria	Minimum requirements			
	Wind	Solar	Pumped hydro	Battery storage
Before COD – development and construction phase (% of total CAPEX)	40%	49%	66%	23%
After COD – operation and maintenance phase (% of total OPEX)	51%	71%	61%	35%
Steel product and components using locally milled steel (% of total steel)	10%	95%	30%	95%
Supply chain input criteria	Stretch goals			
	Wind	Solar	Pumped hydro	Battery storage
Before COD – development and construction phase (% of total CAPEX)	72%	81%	86%	78%
After COD – operation and maintenance phase (% of total OPEX)	76%	81%	82%	79%
Steel product and components using locally milled steel (% of total steel)	95%			

Local employment targets will be based on the [Australian Skills Guarantee](#) (ASG) for apprentices/trainees and for female employment. The targets are based on ASG’s major construction project for the construction sector. These targets use labour hours (rather than head count) which ensures that apprentices and trainees work a minimum number of hours on a project and therefore constitutes a better measure of labour effort. These targets include:

- a minimum of 10% of all labour hours to be undertaken by apprentices/trainees
- a minimum of 6% of all apprentice/trainee labour hours to be undertaken by women
- a minimum of 4% of trade apprentice/trainees in specific trades to be undertaken by women

The department will continue to work with stakeholders on developing a strengthened approach to labour standards to promote safe, secure, well-paid jobs with good conditions. This may include introducing New Energy Standards for tender rounds in 2025 and 2026 which is being developed with advice from the Electrical Trades Union.

The CIS will also look to support the development and release of the National Energy Workforce Strategy when finalised.

## NSW Interactions

At bid submission, a response to a connection enquiry is not required for projects participating in access rights for the NSW South-West or Central West Orana Renewable Energy Zones (REZs) or intending to participate in the next access right process. There is likely to be a sunset date included prior to when the next access right process would need to have commenced for the project to be able to execute a CISA in Tender 4.

## Commercial Operation Date Target

The Commercial Operations Date (COD) Target for Tender 4 is 31 December 2029.

The COD Target is not an Eligibility Criteria and will be merit assessed. All else being equal, Projects with a COD Target Date of 31 December 2029 or earlier may be considered of higher merit.

## Eligible Wholesale Contracts

### Automatically eligible contracts

Automatically eligible wholesale contracts in this tender will be the same as in Tender 1 - NEM Generation. That is, run-of-plant power purchase agreements entered into on reasonable commercial terms and at arm's length. Further detail will be found in the Tender 4 CISA contract.

### Related party contracts

Wholesale contracts signed between related parties will by default not be treated as Eligible Wholesale Contracts for Tender 4.

### Provisional eligibility

Contracts that are not automatically deemed eligible (including related party contracts) may be deemed eligible by the Australian Government. The Australian Government will be more likely to exercise its discretion to deem a contract to be eligible where the following has been demonstrated:

- The contract has a direct relationship with the dispatch capabilities and operational constraints of the CISA asset.
- There is liquidity and price transparency evident in the market, allowing prices and terms to be benchmarked.
- Risk allocation is transparent, and risk is equitably allocated to the parties most able to price and manage the risk.

Successful proponents are invited to approach the Australian Government at any time during the CISA term to determine whether a given contract can be deemed eligible under this framework.

## Opt-Out Provisions

Tender 1 - NEM Generation offered 3 fixed opt-out periods in the 2<sup>nd</sup>, 7<sup>th</sup> and 12<sup>th</sup> support years, provided the CISA holder gives 6 months' notice and returns any support previously received from the Australian Government.

The Australian Government will allow holders of CISAs awarded in Tender 4 to opt-out at any time after the first support year for a minimum duration of 5 years, provided the CISA holder gives 6 months' notice and returns any support previously received from the Australian Government.

## Merit Criteria

The nine proposed Merit Criteria for Tender 4 are outlined in Table 4 below.

Consistent with the updates to Merit Criteria in Tender 3, the First Nations and community engagement and benefits criteria has been split into separate criteria in Tender 4. This is discussed further in the ‘First Nations and Social Licence’ section.

Tender 4 also incorporates the update to Merit Criterion 6 captured in Tender 3, which seeks to explicitly note the assessment of system value including contribution to system reliability and to supporting the 82% renewable energy target.

**Table 3 – Proposed Merit Criteria**

Merit Criteria (MC)	Description
<b>Stage A</b>	
<b>MC1 – Contribution to system reliability and system benefits</b>	This criterion will be used to assess the impact each Project may have on the electricity system, including reliability and the Project’s ability to provide essential system services and/or contribute to system strength.
<b>MC2 – Project deliverability and timetable</b>	This criterion will be used to assess the Project’s progress and feasibility to reach COD. Proponents that can provide detailed evidence to demonstrate their ability to deliver each milestone, with clear articulation of strategies for mitigating delivery risks, may be considered of higher merit.
<b>MC3 – Organisational capability to deliver Project</b>	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.
<b>MC4 – First Nations engagement</b>	This criterion will be used to assess the Proponent’s approach to engagement strategies and understanding of Traditional Owners and First Nations communities.
<b>MC5 – Community engagement</b>	This criterion will be used to assess the Proponent’s approach to engagement strategies and understanding of stakeholders and local communities.
<b>Stage B</b>	
<b>MC6 – Financial value and system benefits</b>	This criterion will be used to assess financial value and system benefits.
<b>MC7 – Commercial departures</b>	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, in particular the CISA.
<b>MC8 – First Nations Commitments</b>	This criterion will be used to assess the quality of the Project’s approach and strength of binding commitments to improve First Nations economic and social outcomes, including economic participation for Traditional Owners and First Nations communities.
<b>MC9 – Social Licence Commitments</b>	This criterion will be used to assess the quality of the Project’s approach and strength of binding Social Licence Commitments to improve local economic and social outcomes, and regional economic development, including local supply chains and workforce.

All arrangements for Tender 4 will be published in the Tender Guidelines and draft CISA. These will be published at the opening of Stage A for Tender 4, scheduled for mid-December 2024. Information in the Tender Guidelines and draft CISA may include changes to matters set out in this document and will take precedence over the information in this document.

## Other Policy Positions

Tender 4 is the second generation tender run in the NEM with [Tender 1 – NEM Generation](#) being the first. While there have been a number of changes, as outlined above, there are some key policy positions that have not changed for this tender. These are outlined below.

### Financial Value Assessment Clarification

The following is a clarification of the Financial Value assessment methodology, which is not a change from previous tenders.

As per Tender 1 [Market Briefing Note - MC5 Financial Value](#), the Financial Value criterion, being MC6 in Tender 4, will be used to assess financial value, based on the forecast cost of the CISA, compared against the benefits associated with the Project.

The forecast cost of the CISA is assessed according to ONE metric: the *weighted net present cost of payments expected to be made by the Australian Government to the Project under a range of scenarios*, as per Section 3.2 Scenario Analysis in the Tender 1 MC5 Market Briefing Note.

For the avoidance of doubt, the CISA cost assessment does NOT consider the cost of payments expected below the floor OR the value of claw back expected above the ceiling as separate items.

Refer to Section 4.3 - Net CISA Cost in the Tender 1 [Market Briefing Note - MC5 Financial Value](#) for the details of the CISA cost calculation. The scenarios and weightings used for these calculations for Tender 4 will be updated in a briefing note expected to be available prior to Tender 4 Stage B Financial Value Bid submissions.

### Hybrid Assessment Clarification

The following is a clarification of the assessment methodology as it pertains to Hybrid projects, which is not a change from NEM Generation Tender 1.

#### Net CISA cost

For both **Assessed and Non-Assessed Hybrid bids**, the net operational revenue will only consider the sent-out energy from the generation component of the Facility (the Project) at the time it is generated. The time-shifted value of energy cycled through the storage component (the Associated Project) is not considered. For **Assessed Hybrids**, the round-trip loss of energy cycled through the storage asset will be applied during the interval it is generated (not exported at the connection point). This treatment is applied identically in both the assessment and in the CISA.

As such, the net cost to the Australian Government of providing underwriting support to a Project as calculated under the Financial Value Merit Criterion and in the CISA will consider only the generation component (the Project), subject to appropriate losses.

### **All other assessment metrics**

For an **Assessed Hybrid** bid, all other assessment metrics will include the Associated Project. For a **Non-Assessed Hybrid** bid, the Associated Project is excluded from assessment.

### **Virtual Power Plants (VPPs)**

Due to the impending final determination of the AEMC rule change “Integrating Price-Responsive Resources into the NEM” (ERC0352, due 19 December 2024), virtual power plants (VPPs), demand response, or other virtual aggregation and flexible loads continue to be explicitly excluded from eligibility for Tender 4.

In recognition of the potentially significant contribution of sub-utility-scale aggregated resources in reaching 82% renewable generation by 2030, the Australian Government intends to release a consultation note in 2025. This note will seek to engage with stakeholders to identify and overcome areas of uncertainty, with the goal of opening up the eligibility criteria to include aggregated resources in future tenders.