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Interest in NSW Electricity Infrastructure Roadmap tenders continues to strengthen

AEMO Services has announced that the slate of bidders for its third tender have significantly exceeded indicative targets for both generation and long-duration storage.

AEMO Services' Chair Paul Moy said that the result reflected the scale of investor interest in the NSW energy transition.

"The strong support is further evidence that the Long-Term Energy Service Agreement ('LTESA'), provided through our tender process addresses a key market risk that might otherwise delay or discourage investors from participating in the transition," Dr Moy said.

"The insurance provided by an LTESA is attracting strong support from investors. Combined, the bids for generation represent a total capacity of 3.1GW, against an indicative target of 950MW for this tender, and bids for long-duration storage represent a total capacity of 1.6GW, against a target of up to 550MW.

A little more than half of the projects in the current tender round were submitted in Tender 1, and Dr Moy said that the mix of repeat bidders and new entrants was encouraging.

"We designed our processes to minimise time and effort for repeat bidders – allowing participants to sharpen their pencils and return with an improved proposition.

"At the same time, it's a positive sign that a number of new entrants have engaged with the process, demonstrating confidence in our systems and product and an evolving pipeline of projects."

AEMO Services' Executive General Manager Paul Verschuer said that the strength of the competition in the tender would secure value for NSW energy consumers.

"The competing bids will now undergo an assessment for non-price criteria such as deliverability, and benefits to local communities and First Nations people, after which we'll assess them closely to determine the most valuable projects for consumers.

"We have the flexibility to only select the projects that represent the best value to consumers. If we aren't satisfied that there are enough competing projects we can alter our plan accordingly and tender for a higher volume in future rounds.

"Likewise, if we do see sufficient value we can increase the amount of energy supported. In our first tender, this approach produced a line-up of successful projects willing to build the necessary energy generating infrastructure, while putting much less consumer money at

risk than traditional CFD's by contracting LTESA strike prices 40% below the levelized cost of energy.

“The insurance nature of the LTESA means that the cost to consumers will materialize only in circumstances where projects are struggling to cover their debt service costs. At the prices bid in the first tenders, this represents better value for consumers compared to traditional contracts for differences,” Mr Verschuer concluded.

This third Roadmap tender follows the first tender, for generation and long-duration storage, which concluded in May, and the second tender, for firming infrastructure, which is ongoing.

Successful proponents from Tender 3 are expected to be announced by the end of 2023.

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For more information

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