

**19 May 2023**

## **AEMO Services announces opening date for next generation and storage tender**

AEMO Services has announced May 22 as the opening date for the next tender for generation and long duration storage under the NSW Electricity Infrastructure Roadmap.

AEMO Services' Chair Paul Moy said that the success of the inaugural tender round, which concluded at the start of May, would serve as a running start for the coming instalment.

"We spent more than twelve months in the lead-up to our first tender working closely with investors and proponents to streamline the process and design new products to incentivise the acceleration of their energy infrastructure projects," Dr Moy said.

"We'll continue to build on that work and fine-tune our offering to make sure subsequent tenders enjoy the same success."

The three generation projects selected for the first tender round exceeded AEMO Services' indicative target by more than 400 MW.

Dr Moy said that the strong pool of projects which had been shortlisted on non-price criteria in the first tender but not yet demonstrated the same financial value to electricity consumers, would provide a solid base for the next tranche of bids.

"We designed our tenders specifically to allow unsuccessful proponents to submit subsequent bids at minimal additional cost to them.

"This provides benefits to both consumers and bidders and is a key features of our rolling 10-year competitive tender schedule.

"The first tender also demonstrates the depth of the pipeline of projects that are well placed to re-submit high quality bids in this tender. We anticipate that many of these projects will be able to improve their bids and be successful.

"The tender is seeking an indicative amount of 2500GWh (around 950MW) of generation and 550MW of Long Duration Storage, however we have discretion to award more or less if it is in the long-term financial interest of NSW consumers to do so."

Acting Executive General Manager Graeme Edie said that the two-stage process for the coming tender round will be similar to that employed in the inaugural round.

"The first stage will be an assessment against non-price criteria, such as community benefit and local employment, which many projects will be familiar with from the first tender round and some have already satisfied."

“The second stage is a financial value assessment for shortlisted projects, which determines the projects that best deliver in the long-term financial interests of NSW electricity consumers. Successful projects are awarded Long-Term Energy Service Agreements (LTESAs).”

“AEMO Services has designed and consulted on these innovative option contracts, and feedback received from the market is that they are highly sought-after. We expect robust competition for them in this tender round, increasing over time as the tender plan progresses.”

The LTESA contract gives the flexibility to the holder of the agreement for a period of up to 20 years. For generation projects, the LTESA should be thought of as similar to an insurance policy – only exercised at times of unexpectedly low wholesale electricity prices. The LTESA reduces investment risk – boosting supply while still incentivising projects to participate in contract markets (such as Corporate Power Purchase Agreements) or taking on merchant (spot price) risk. Consumers benefit from increased supply and downward pressure on wholesale prices, whilst lowering their exposure to directly paying for new generation and storage infrastructure.

“In the first tender round, we saw strike prices around 40% below the levelised cost of electricity and an equivalent Contract for Difference, which demonstrates the market understands the advantages and value of the LTESA contract,” Mr Edie concluded.

The upcoming tender round is the second for generation and long-duration storage and is open to projects located anywhere in NSW connecting to existing infrastructure. This tender is the third in AEMO Services’ tender schedule, following the second tender round for firming infrastructure, which is currently underway.

Further information can be found [aemoservices.com.au/tenders](https://aemoservices.com.au/tenders).

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