

Market Briefing Note

Competitive tender participants connecting to existing transmission & distribution network Infrastructure outside declared REZs



This market briefing note is for participants in the NSW Consumer Trustee's Q4 2022 tender seeking an LTESA and intending to connect to existing transmission & distribution infrastructure outside geographical areas that are declared renewable energy zones.

Briefing context



Competitive tenders for LTESAs are open to all eligible generation and long-duration storage projects throughout NSW. This includes projects outside the geographical area of declared REZs that intend to connect to existing transmission & distribution infrastructure.



All projects will be competitively assessed against the same proposed price and non-price merit criteria [published here](#).¹ Projects outside of the geographical boundaries of a declared REZ must demonstrate outstanding merit.

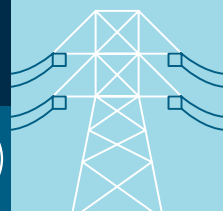


The tender process will encourage competition with the aim of achieving optimal value for NSW electricity consumers.

What you need to know

- ✓ Generation projects outside the geographical boundaries of declared REZs **must meet 'outstanding merit' criteria.**
- ✓ 'Outstanding merit' will be defined in regulations.
- ✓ To be considered outstanding it is anticipated that an LTESA bid will need to be for a project that:
 - has minimal curtailment impact on the operation of REZs and other existing and generators and storage infrastructure that have completed connection arrangements at the time of the tender,
 - meets or exceeds the social and economic development requirements expected of projects inside REZs,
 - meets or exceeds the consumer value of projects inside REZs, and
 - that contributes to meeting the generation infrastructure objectives set out in the *Electricity Infrastructure Investment Act 2020*.

1. This includes: LTESA only, LTESA + access right and access right only submissions



REZ declaration timing

REZ	REZ Declaration timing	Access scheme declaration
Central West Orana	<u>Declared</u> : 5 November 2021	Expected: September 2022
New England	<u>Declared</u> : 17 December 2021	To be determined
South-West	<u>Draft exhibited</u> : 25 March 2022 Expected: mid-2022*	
Hunter-Central Coast	Expected: mid-2022*	
Illawarra	Expected: late-2022*	

*Dates may be subject to change



Questions and answers

The NSW Consumer Trustee has a duty to act in the long-term financial interests of NSW electricity consumers and it has discretion when recommending LTESAs. If it receives a sufficient number of quality proposals it may recommend LTESAs greater than the indicative tender size. If the bids in any tender round do not reflect value to consumers it may recommend LTESAs for generation capacity below the indicative tender size.

What is an LTESA and how will it benefit my project?

LTESAs provide ongoing certainty for investors in energy generation projects and lower the cost of capital, reducing risk profile for investors. They are structured as options contracts which offer the right, but not an obligation, for the project to access minimum cash flows over a 20-year period.

LTESAs are a protection mechanism against low wholesale electricity prices and encourage projects' participation in the National Electricity Market and wholesale contracts markets.

It is expected that increased certainty for investors will also provide long term financial benefits to NSW electricity customers.

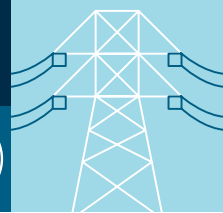
The terms and conditions for LTESAs will be different for each type of infrastructure and the draft term sheets can be [viewed here](#).

Can projects located outside a REZ bid for an LTESA?

Yes. To encourage competition and ensure that all projects across NSW meet the same high standards expected within a REZ, LTESAs will be available to projects located outside a declared REZ. However, generation projects outside of a REZ must show 'outstanding merit'².

The definition of 'outstanding merit' will be set out in regulations under the *Electricity Infrastructure Investment Act 2020*, expected mid-2022.

2. Storage projects outside of a REZ do not need to show outstanding merit.



What test will be applied to determine projects outside REZs show outstanding merit?

All projects (both in and out of REZ) will be competitively assessed by the NSW Consumer Trustee against the same proposed price and non-price merit criteria. Pending regulations, it is anticipated that outstanding merit will involve projects:

- showing minimal curtailment impact on the operation of REZs and other existing generators,
- meeting or exceeding the social licence standards expected of projects inside REZs, and
- meeting or exceeding the consumer value of projects inside REZs.
- contributes to meeting the infrastructure investment objectives

Note: In this context an 'in REZ' project under the Electricity Infrastructure Investment Act 2020 is one that is physically located within a declared REZ geographical area even where it may not be connected to new REZ network infrastructure.

What is assessed in the competitive tender and assessment process?

Projects must first meet the eligibility criteria.

Eligible projects will then be competitively assessed against merit criteria. The eligibility criteria are designed to ensure that only projects at a sufficiently developed stage are assessed for merit.

Pre-registration prior to a tender round will be the first step in assessing proponent eligibility.

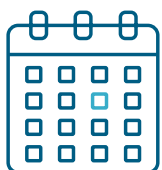
Information on how you can pre-register will be released prior to the Q4 2022 tender.



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A series of engagements will be held to provide proponents with certainty and a thorough understanding of the tender process. Information will include:

- Progress against design milestones
- Timing of further decisions
- Additional detail necessary for proponents to successfully participate in the Q4 and future tenders



Would you like to learn more?

Information will be regularly published leading up to Q4 2022 tender

Expected: June 2022	Expected mid-2022	At least eight weeks before Q4 2022 tender
Draft ministerial guidelines for the declaration of access schemes	Regulations defining 'outstanding merit' Draft CWO access scheme declaration	Tender Guidelines**

**These will provide details on how to submit a proposal, the assessment process, merit criteria and required documentation.

To find out more please visit aemoservices.com.au or email us at stakeholderengagement@aemoservices.com.au.

Important notice: This document provides a summary of the relevant laws in the Electricity Infrastructure Investment Act 2020 and associated regulations and policies as at the date of the document. The document may include generalisations and assumptions about future policy outcomes. It may not include important qualifications, details or legal terminology. AEMO Services Limited (ABN 59 651 198 364) does not guarantee the accuracy, currency or completeness of any information contained in this document and will not accept responsibility for any loss caused by reliance on it. The information in this document is not a substitute for obtaining your own advice. May 2022