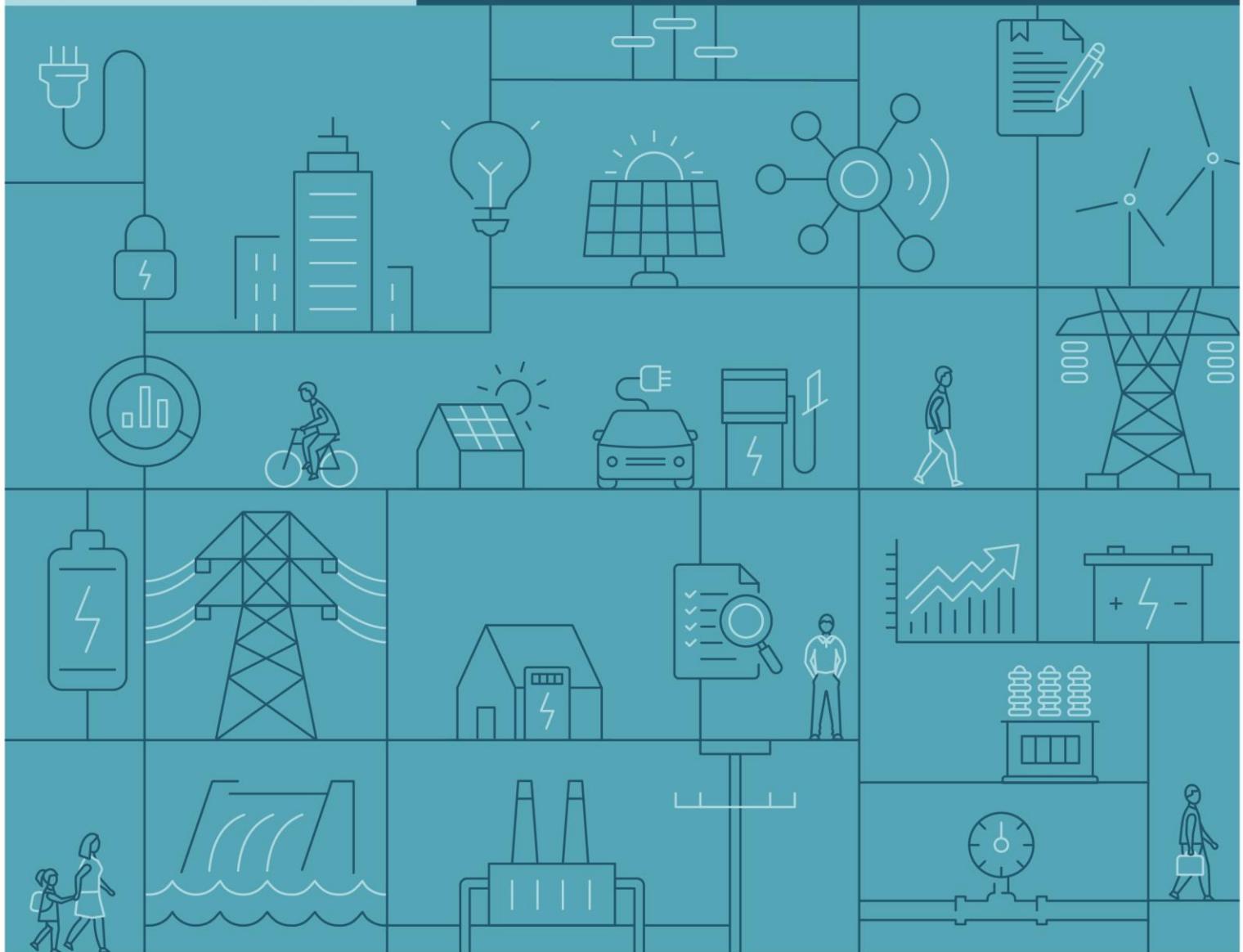




Addendum 1 to the Tender Guidelines - Tender Round 2

NSW Consumer Trustee

4 May 2023



Addendum 1 to the Tender Guidelines

IMPORTANT

This addendum (Addendum 1) to the Guidelines – Tender Round 2 Firming Infrastructure (March 2022) (Tender Guidelines) is issued under section 5.38 of the Tender Guidelines. In accordance with section 5.38 of the Tender Guidelines, Proponents must prepare their Bids to consider and reflect the content of Addendum 1. The Tender Conditions also apply to this Addendum 1.¹

Capitalised terms in this Addendum 1 not otherwise defined are defined in the Tender Guidelines.

All references to ‘Proponent’ in this Addendum 1 refer to any person (who alone) or persons (who together, including Consortium Members), submit, or intend to submit, a Project Bid and/or Financial Value Bid, including any Bid Entity (as applicable).

1.1 Purpose of Addendum 1

This Addendum 1 amends the Tender Guidelines to enable a relevant Proponent to submit a Project Bid and/or Financial Value Bid, which includes the differences made to the initial pro forma Project Documents outlined below as well as the consequential implications on requirements for Merit Criteria 4 – Pathway to commercial operation.

1.1.1 Amendments to LTES Operator Performance Requirements

Tender Guidelines reference

Table 2 in Section 2 outlines the key commercial terms of the Firming Long-term Energy Service Agreement (LTESA), including the contract term and Performance Requirements. These terms are also reflected in the draft Firming Supply LTESA, Demand Response LTESA, and Project Development Agreement (PDA) for the Firming Supply LTESA (collectively Project Documents). These draft Project Documents are being updated following market feedback and will be published before the Financial Value Bid stage.

Amendments

The Consumer Trustee has decided to make the following edits to the initial Project Documents published on 13 March 2023:

- Firming Supply LTESA: the maximum exposure to the LTES Operator for a failure to respond to a performance event will be capped at 50% in respect of a single performance event failure (note this required no changes to the Tender Guidelines above but is a change that is being made relevant to this section of the Tender Guidelines).
- Demand Response LTESA: removal of ‘Actual LOR1 event’ from the Performance requirement, such that the Performance Rebate only applies in respect of Actual LOR 2 and Actual LOR 3 events.

The row of Table 2 titled ‘Performance Requirements’ Table 2 in Section 2 is amended as follows (inserted new wording is underlined, and deletions are shown with strikethrough):

“This Tender Round aims to contribute to improving system reliability in NSW. Performance requirements provide economic incentives to LTES Operators to be available and dispatch electricity into the NSW system – both during times of system stress and throughout the year. Performance requirements apply to an LTES Operator during an Annuity Period under both a Firming Supply LTESA and a Demand Response LTESA, however, they are structured differently to account for the type of firming infrastructure.

An LTES Operator under a Firming Supply LTESA (a “**Firming Supply LTES Operator**”), must meet certain performance requirements in order to receive the full annuity payment. This includes ensuring the firming infrastructure is available for at least 90% throughout the year and, in respect

¹ Section 5.1 of the Tender Guidelines.

of certain firming infrastructure, must demonstrate a storage capacity above a certain threshold. Additionally, Firming Supply LTES Operators must respond to an actual lack of reserve condition (LOR) 3 event with a defined minimum bid.

An LTES Operator under a Demand Response LTESA (a “**Demand Response LTES Operator**”), must respond to an actual lack of reserve condition (LOR) 4, 2 and 3 event with a defined minimum bid, provided that certain criteria are met. This includes the actual LOR event being preceded by a forecast LOR notice declared by AEMO at least 4 hours in advance and the start of the LOR event is at least 24 hours after the end of the last Trading Interval for which the Project was last dispatched in an LOR 2 or 3 event. Additionally, Demand Response LTES Operators are not required to meet a minimum yearly availability performance requirement or yearly storage capacity performance requirement.

1.1.2 Clarification of Commercial Operations Date (COD)

Tender Guidelines reference

Section 4.2.1 outlines the Project Merit Criteria, including Merit Criteria 4 – Pathway to commercial operation. This section stipulates that a Project must demonstrate the ability to achieve commercial operations no later than 1 December 2025

Clarification

The Consumer Trustee wishes to clarify that Proponents can submit a bid for Projects with a COD later than 1 December 2025, provided this is no later than 1 December 2026.

References to “no later than 1 December 2025” or “by 1 December 2025” in Section 4.2.1 under the sub-heading ‘MC4 – Pathway to commercial operation’ should be read as relating to the Project’s target COD, which is preferably on or prior to 1 December 2025 and no later than 1 December 2026.

This final date for a Project’s COD is linked to the Consumer Trustee’s decision to include a COD sunset date of 1 December 2026 provided in the PDA related to the Firming Supply LTESA.

The COD for each Project will be assessed under Merit Criteria 4. Proponents are required to demonstrate a credible pathway to reaching the Commercial Operations Date (COD), including details on how the Project will achieve its target COD through the proposed financing and delivery approach.

In addition to what is described in Section 4.2.1, the assessment of a Project’s COD will also consider the following:

- **Risk assessment:** The Consumer Trustee will assess the credibility and feasibility of the Project’s pathway to achieving commercial operation by its target COD. Proponents are required to demonstrate a clear plan and detailed timelines with supporting evidence and rationale that demonstrate a thorough understanding of potential delays and appropriate mitigation measures.
- **Value to NSW customers:** The greatest value to NSW consumers will be driven by a Project that can support energy supply in the Sydney-Newcastle-Wollongong sub-region during the summers of 2025/26 and 2026/27, as identified by the EST Monitor.²

Projects that are able to bid and demonstrate the ability to meet an earlier COD will be assessed more favourably in respect of Merit Criteria 4.

² Note that the financial value of this benefit will be assessed under Merit Criteria 1 - Financial value.