



# Draft Tender Information

## CWO REZ Access Fee Update

September 2023



## ACKNOWLEDGEMENT TO COUNTRY

AEMO Services would like to acknowledge the Traditional Owners of country throughout Australia and recognise their continuing connection to land, water and culture.

We pay our respect to their Elders, past and present.



# Important notice

## DISCLAIMER

The Consumer Trustee has published this Draft Tender Information CWO Access Fee Update (**Update**) to outline the likely Access Fee methodology for the Central-West Orana Renewable Energy Zone (**CWO REZ**) access scheme declared in the Access Scheme Declaration (**Access Scheme**). The Update is not, and is not indicative of, the final Access Fee Determination of the Consumer Trustee. It is intended to assist Proponents in understanding how the CWO REZ Access Fees will likely be determined and the draft CWO Access Fee Settings that will inform the provisional fees payable by CWO REZ Access Right Holders to the Scheme Financial Vehicle (**SFV**).

The information in this Update is indicative only and subject to change. It is provided to the market for information and consultation purposes only and is not intended as advice. This Update outlines the method and assumptions that the Consumer Trustee expects will be used to estimate the CWO Access Fee, based on the best available information at this time. The Consumer Trustee may vary the value produced by this calculation to ensure that the final Access Fee is consistent with its statutory obligations.

The Update outlines the provisional anticipated CWO REZ Access Fee Calculator, which is intended to guide proponents on their likely access fees. This calculator comprises formulae that are subject to change and possible variation, including a calculation of the capital costs of the Hub-to-Project Gate infrastructure. The Consumer Trustee may revise this calculation, as the context requires, to ensure that it complies with its statutory obligations.

The Consumer Trustee has sought advice in respect of the GST payable on CWO REZ Access Fees. At present, the Consumer Trustee proceeds on the conservative assumption that GST will be payable on access fees. Consistent with this assumption, the provisional CWO REZ Access Fee calculator includes calculations that have been grossed up by a 10% GST amount.

Where there is a discrepancy between this Update and the Access Right Agreements as defined in this Update, the Access Right Agreements will prevail.

Nothing in this Update should be construed as binding the Consumer Trustee or limiting its statutory discretion. The Consumer Trustee reserves the right to revise any aspect of this Update in its absolute discretion.

## NO RELIANCE

AEMO Services does not guarantee the accuracy, currency or completeness of any information contained in this document and (to the maximum extent permitted by law) expressly disclaims all liability relating to or resulting from reliance on it or resulting from the exercise of any discretion, or the making of any decision, by AEMO Services, as the Consumer Trustee under the EII Act.

The Consumer Trustee makes no representation that the information in this document will be reflected in the final Tender 4 Guidelines, Project Documents, final CWO REZ Access Fee Determination or any other tender documentation.

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# Glossary of abbreviations

<b>Access Fee Settings</b>	Variable inputs into the CWO REZ Access Fee, determined by the Consumer Trustee
<b>Access Payment Deed</b>	CWO REZ Access Payment Deed between the Access Right Holder and the SFV
<b>Access PDA</b>	CWO REZ Project Development Agreement between the Access Right Holder and EnergyCo
<b>Access Project Deed</b>	CWO REZ Project Deed between EnergyCo and the NO
<b>Access Right Agreements</b>	CWO REZ Project Development Agreement with EnergyCo (Access PDA), and CWO REZ Access Payment Deed
<b>Access Right Holders</b>	A person who holds an access right granted under the Access Scheme Declaration <sup>1</sup>
<b>Access Scheme Declaration</b>	Renewable Energy Zone (Central-West Orana) Access Scheme Order 2022 under the <i>Electricity Infrastructure Investment Act 2020</i>
<b>AER</b>	Australian Energy Regulator
<b>Basis of Bid</b>	A document issued by EnergyCo detailing a set of assumptions for each Project and Proponent
<b>CEB</b>	Community and Employment Benefit
<b>COD</b>	Commercial Operations Date as defined in the Access PDA
<b>CSS</b>	Centralised System Strength
<b>Consumer Trustee</b>	AEMO Services has been appointed as the Consumer Trustee under the EII Act
<b>CWO REZ</b>	Central-West Orana Renewable Energy Zone
<b>EII Act</b>	<i>Electricity Infrastructure Investment Act 2020</i> (NSW)
<b>EII Regulations</b>	<i>Electricity Infrastructure Investment Regulations 2021</i> (NSW)
<b>EnergyCo</b>	Energy Corporation of NSW
<b>ESCD</b>	The Energy Supply Connection Deed, being an agreement or deed between the NO and the Access Right Holder
<b>Fixed Indexation</b>	Indexation of 2.5%
<b>H2P</b>	Hub to Project Gate
<b>Infrastructure Completion Date</b>	The date on which infrastructure completion occurs in accordance with the CWO REZ Project Deed with NO
<b>Infrastructure Planner</b>	EnergyCo has been appointed the infrastructure planner for the CWO REZ under s 63 of the EII Act
<b>LTESA</b>	Long Term Energy Service Agreement between the SFV and Access Right Holder
<b>NO</b>	CWO REZ Network Operator
<b>O&amp;M</b>	Operation and Maintenance
<b>Project Characteristics</b>	The project specific features of a CWO REZ Access Right Project, defined under Schedule 3 in the Access PDA. The Project Characteristics form part of the Bid Variables bid by the Proponents.
<b>REZ</b>	Renewable Energy Zone
<b>Roadmap</b>	NSW Electricity Infrastructure Roadmap
<b>SFV</b>	Scheme Financial Vehicle
<b>Tender</b>	The tender for Access Rights in the access rights network of the CWO REZ
<b>WACC</b>	Weighted Average Cost of Capital

<sup>1</sup> Renewable Energy Zone (Central-West Orana) Access Scheme Order 2022 under the *Electricity Infrastructure Investment Act 2020*.

# 1. Introduction

The CWO REZ Access Scheme was formally declared on 19 December 2022,<sup>2</sup> outlining the electricity network that new generation and storage projects will require rights to connect into (**Access Rights Network**).

EnergyCo expects that the rights to the Access Rights Network will be ready to be offered by AEMO Services as part of its upcoming Q4 2023 tender (**Tender Round 4** or **Access Rights Tender**). This Update builds on the Draft Tender Information – CWO Access Rights published in June 2023<sup>3</sup> and provides further information to Access Right applicants (**Proponents**) and other stakeholders on the likely approach, methodology, and draft Access Fee Settings that the Consumer Trustee expects to adopt in setting the CWO Access Fee for a connected project (**Project**).

The objective of the *Electricity Infrastructure Investment Act 2020* (NSW) (**EII Act**) is to implement the NSW Government's Electricity Infrastructure Roadmap (**Roadmap**), which includes the development of Renewable Energy Zones (**REZ**) within NSW. This will include new transmission infrastructure designed and built specifically to host new generation and storage infrastructure in REZ regions. An Access Right authorises an Access Right holder to apply to connect an approved Project to the Access Rights Network and send out generation into the network up to its allocated maximum capacity, under an Access Scheme Declaration.

## Purpose of the Access Fee Update

AEMO Services, as the NSW Consumer Trustee, will determine the fees payable to the Scheme Financial Vehicle (**SFV**) by participants in an Access Scheme under section 26 of the EII Act (**Access Fee Determination**).

This Update summarises some of the relevant considerations in the Access Fee and the Access Fee Determination for the CWO REZ. The information provided in this Update addresses:

- How the Access Fees are expected to be structured and the components of the Access Fees;
- How the Access Fees are expected to be calculated under the Access Fee Determination using the Access Fees Calculator;
- How the Access Fees are expected to be determined and adjusted under the Access Fee Determination process;
- How payments and obligations are expected to be drafted in the Access Payment Deed.

<sup>2</sup> Renewable Energy Zone (Central-West Orana) Access Scheme Order 2022 under the Electricity Infrastructure Investment Act 2020

<sup>3</sup> [draft-tender-information-cwo-rez-access-rights.pdf](#) ([aemoservices.com.au](https://aemoservices.com.au))

## 1.1 Relevant Documents

This Update references and impacts documents relevant to Access Rights. Where possible, this Update should be read in conjunction with the following documents:

1. [Draft Tender Information – Access Rights \(June 2023\)](#), which sets out a definition of the Access Right, and the tender process including eligibility and merit criteria.
2. Draft Access Fee Calculator, published by ASL, which allows access fees to be estimated for individual projects.
3. Draft Access Right Agreements (**Access Right Agreements**) to be executed with successful Access Right tender proponents (**Access Right Holders**), which include:
  - i. [Draft Project Development Agreement \(Access PDA\)](#) – executed between the Access Right Holder and EnergyCo
  - ii. [Draft Access Payment Deed \(Access Payment Deed\)](#) – executed between the Access Right Holder and the SFV
4. [Draft Energy Supply Connection Deed \(ESCD\) Term Sheet](#) – executed between the Access Right Holder and the Network Operator (**NO**).
5. [Basis of Bid \(BoB\)](#) provided by EnergyCo.
  - Detailed Project-specific information (see Section 3.1 Table 4) will be shared by EnergyCo directly to Proponents. Proponents must contact EnergyCo (<https://www.energyco.nsw.gov.au/contact>) for this input.
  - EnergyCo will also publish its methodology for determining the input assumptions used to calculate H2P costs, to provide transparency. This will include a summary of expected ranges of costs for items included in the BoB that are relevant to the calculation and estimation of the Access Fee. *This is likely to be considered by the Consumer Trustee in setting the Access Fee.*

## 1.2 Access rights and LTESA

Parties seeking an Access Right may also seek an LTESA and details for seeking an LTESA will be provided in the Tender Round 4 Guidelines. Parties receiving an LTESA will sign an additional LTESA project development agreement (LTESA PDA) along with the LTESA. Proponents seeking both an Access Right and an LTESA must obtain both in the same Tender Round.

## 1.3 Contractual Structure

The diagram in [Figure 1](#) shows the contract structure of the Access Scheme, including the Access Right Agreements:

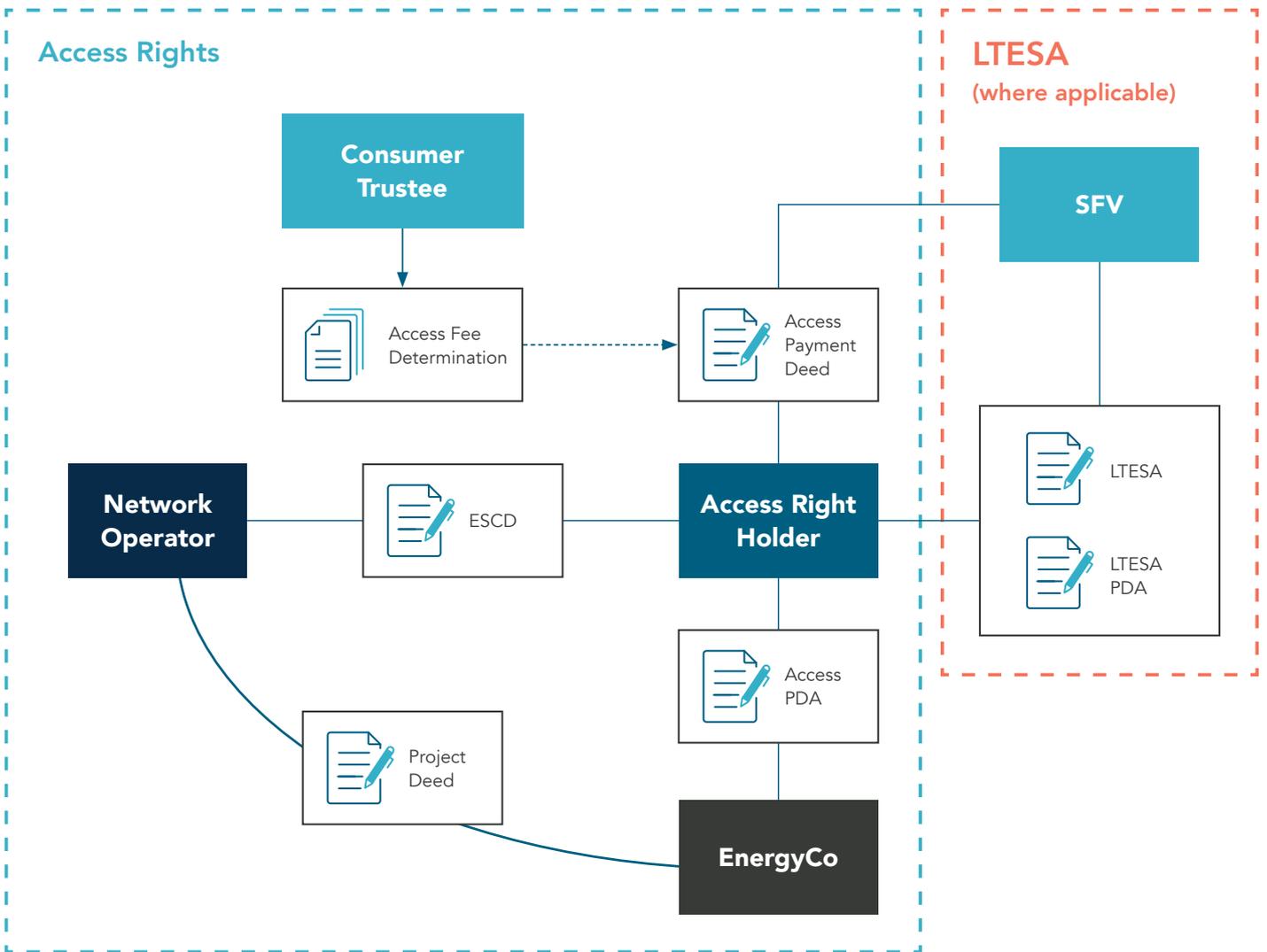
- The Access Payment Deed sets out the terms for providing securities and paying the Access Fee (as determined under the Access Fee Determination) to the SFV by Access Right Holders.
- The Access PDA contains obligations relating to the development and operation of a Project, including the technical specification of the Project, development and construction milestones, social licence commitments and other terms and conditions of the Access Right.

The Access Right Agreements are closely connected. For example, termination of the Access Payment Deed will result in automatic termination of the Access PDA and vice versa.

Other components and agreements of the Access Scheme include:

- The Access Fee Determination, which is a statutory decision by the Consumer Trustee. The Consumer Trustee holds the authority for the methodology and final Access Fees charged to Access Rights Holders, having regard to assumptions provided by EnergyCo and Proponents. It will include the Access Fee amount for each Project, which will be reflected in the Access Payment Deed.
- The ESCD executed with the Network Operator sets out the terms and conditions of the Project's connection to the Access Rights Network.
- The Project Deed between EnergyCo and Network Operator contains the obligations, development and construction milestones for the Access Rights Network.

Figure 1: Contract structure applicable CWO Access Rights



## 1.4 Roles and responsibilities of Roadmap Entities in the Access Scheme and setting the Access Fee

The process for allocating Access Rights and determining and enforcing the Access Fee requires input and involvement from a number of Roadmap entities. The roles and responsibilities of each entity is governed by the EII Act and Regulations, and the Access Scheme Declaration. [Table 1](#) below provides a summary breakdown of these roles and responsibilities.

**Table 1: Roles and responsibilities of entities in determining Access Fees and allocating Access Rights for CWO REZ**

Term	Responsibilities
<b>Infrastructure Planner (EnergyCo)</b>	<p>The Infrastructure Planner is responsible for:</p> <ul style="list-style-type: none"> <li>• Selecting and appointing the Network Operator (NO)</li> <li>• Administering the Access Scheme</li> <li>• Advising the Consumer Trustee, where required, during the Access Right tender process</li> <li>• Providing inputs into the Access Fee, including costs and assumptions for the Hub to Project (<b>H2P</b>) and Centralised System Strength (<b>CSS</b>) assets to be recovered through the access fee mechanism</li> <li>• Following a recommendation by the Consumer Trustee on the tender outcomes, executing the Access PDA with Proponents and award Access Rights</li> </ul>
<b>CWO REZ Network Operator (NO)</b>	<p>The Network Operator is responsible for:</p> <ul style="list-style-type: none"> <li>• Procuring and managing the construction of the Access Rights Network, including the H2P assets</li> <li>• Registering as a Transmission Network Service Provider (<b>TNSP</b>) in respect of the Access Rights Network and entering into the ESCD with Access Rights Holders</li> <li>• Operating, maintaining, and controlling the Access Rights Network including the H2P assets over the concession period as a TNSP (once registered)</li> </ul>
<b>Consumer Trustee (AEMO Services)</b>	<p>For Access Fees, the Consumer Trustee is responsible for:</p> <ul style="list-style-type: none"> <li>• Determining the Access Fees for successful Access Right Projects</li> <li>• Recommending that the SFV enter into Access Payment Deeds with successful Access Right Holders</li> </ul> <p>For Access Rights, the Consumer Trustee is responsible for:</p> <ul style="list-style-type: none"> <li>• Making rules, in consultation with the Infrastructure Planner, about the conduct of a competitive tender in relation to the granting or increasing of Access Rights, and</li> <li>• Conducting a competitive tender in accordance with the rules, and</li> <li>• Making recommendations to the Infrastructure Planner based on the outcome of the competitive tender, and</li> <li>• Preparing a report on the competitive tender and the recommendations and give the report to the infrastructure planner.</li> </ul>
<b>Scheme Financial Vehicle (SFV)</b>	<p>The SFV is responsible for:</p> <ul style="list-style-type: none"> <li>• Entering into and enforcing the Access Payment Deed with Access Right Holders <b>(Note: It is expected Access Right Holders will need to enter into an Access PDA with EnergyCo as a condition precedent before the payment and security bonding obligations in the Access Payment Deed come into effect)</b></li> <li>• Collecting Access Fees and securities, consistent with the terms of the Access Payment Deed</li> </ul>

## 2. CWO Access Fee structure

This section explains the principles used by the Consumer Trustee in determining the Access Fee in accordance with Section 26 of the EII Act. The EII Act sets a series of considerations and minimum requirements that must be met in structuring and setting of **Access Fees**.

### 2.1 CWO REZ Access Fee principles

In determining the Access Fee, the Consumer Trustee will take into account the principles prescribed by subsection 26(1) of the EII Act (see section 1.1). These are:

- Maximising financial value for NSW electricity customers;
- Recovering the cost of the operation of the access scheme;
- Optimal use of the existing and planned network infrastructure in the renewable energy zone; and
- Other principles prescribed by the regulations.

Subsections 26-(2) and (4) of the EII Act mandate that a component of the Access Fee is used for community and employment purposes respectively. The EII Regulations set establishes minimum amounts per MW to be allocated for community and employment purposes. In setting the employment purpose component for Access Fee the Consumer Trustee has consulted with the Employment Purpose Advisory Committee.<sup>4</sup>

### 2.2 Centralised procurement of Access Rights Network

Section 5 of the *Draft Tender Information – Access Rights*,<sup>5</sup> describes a REZ Connection Process, developed by EnergyCo and administered by the NO. EnergyCo has developed a centralised procurement model for network infrastructure between the connection hub and Projects (**H2P**), and system strength assets, to be procured and delivered by the NO for projects connecting to the CWO REZ Access Rights Network. This approach leverages EnergyCo's contestable procurement process for the NO to achieve economies of scale and deliver value for money for generation projects and NSW electricity customers.

This approach is different to the delivery model adopted in the NEM open access framework, where a contestability regime allows projects to procure and fund connection and system strength solutions themselves, or have these assets provided by the relevant network service provider, in accordance with the project's timetable.

Access Fees for the H2P and system strength components are structured to aim for full recovery of capital costs for these assets from generators (excluding terminal value), reflecting the fact that these are payable in full by generators in the open access framework. As these assets typically have useful lives longer than the expected length of Access Fee payments, a terminal value has been calculated by EnergyCo for these assets based on the expected value of the assets at the end of the expected Access Rights term; the terminal value is netted off from the calculation of Access Fees, and the net amount is recovered from generators.

It is expected that the NO will recover the cost of delivering H2P and system strength assets from the SFV. The SFV will recover contributions to these costs via Access Fees, that have been determined by the Consumer Trustee, from the Access Right Holders, and residual costs will be passed on to NSW electricity customers. Because the SFV is intermediating risk between projects and the NO, a series of measures are being put in place to protect the SFV from risks, including bonding expected Access Fees.

It is expected that projects utilising H2P and system strength assets after the length of Access Fee payments or end of the Access Scheme would pay fees that reflect the value of these H2P and system strength assets, and that these costs would be established based on the regulatory regime prevailing at the time of the end of the Access Right or Access Scheme.

<sup>4</sup> Employment Purpose Advisory Committee under s34W(1)(b) of the *Energy and Utilities Administration Act 1987* (NSW). The CWO Access Fee is expected to include this component to be allocated to support funding of community benefit sharing and employment initiatives in impacted communities in the region (see Base Fee in section 2.2).

<sup>5</sup> [draft-tender-information-cwo-rez-access-rights.pdf \(amoservices.com.au\)](#)

## 2.3 Structure and calculation of Access Fees

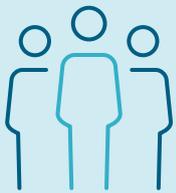
The Consumer Trustee expects the Access Fee to consist of **three components**: a base fee paid by generators for holding an Access Right in the REZ, plus two fee components designed to recover the estimated cost of H2P and system strength assets (less the terminal value). The Consumer Trustee will receive recommendations from EnergyCo in relation to the fee amounts for H2P and system strength components of the Access Fee.

The assumptions associated with these components (Section 3) form a critical basis for the current calculation of Access Fees outlined in this document; any material changes that occur to this after the publication of this document will be evaluated by the Consumer Trustee, with appropriate changes made (if any) to the Access Fee structure and methodologies in future updates and tender documentation.

**Table 1: Access fee components**

Fee component	Scope of fee	Source of scope and assumptions
<b>Base fee</b>	Covers community benefit sharing initiatives and employment initiatives in the REZ; CWO Access Scheme administration; with residual amounts retained by the SFV to reduce consumer contributions.	Determined based on value of Access Right to a marginal project
<b>Hub to Project (H2P) fee</b>	Contribution required by each Access Right Holder to offset the cost of their H2P infrastructure. This has been proxied using the H2P formula.	Provided by EnergyCo
<b>Centralised System Strength (CSS) fee</b>	Contribution required by each Access Right Holder to offset the cost of their CSS infrastructure.	Provided by EnergyCo

### Base Fee for access to CWO REZ



#### Community and Employment (C&E) initiatives

Most of the Base Fee will go towards supporting community and employment programs and initiatives: \$1,700/MW p.a. for community purposes, and \$600/MW p.a. for employment purposes.

The **Base Fee** will include fees to fund community benefit sharing initiatives and employment initiatives in the REZ,<sup>6</sup> CWO Access Scheme administration, with any residual amounts being retained by the SFV to reduce consumer contributions. The Base Fee component is expected to be a fixed per megawatt per annum fee. The Base Fee is anticipated to be calculated as set out below in [Figure 2](#).

**Figure 2: Base Fee calculation**

$$\text{Base Fee (\$ p.a.)} = \text{Base Fee Charge (\$/MW)} \times \text{Maximum Capacity (MW)}$$

It is important to note that the Base Fee has been determined by the Consumer Trustee on the basis of a valuation of the Access Right to a marginal REZ project, and it is not intended to recover the total costs of all items listed above.

<sup>6</sup> Electricity Infrastructure Investment Act 2020 Section 26 (2) and 26 (4)

## Fees to recover costs of centrally delivered CSS and H2P assets

The fee components below are intended to offset the costs of the system strength and H2P infrastructure having regard to the technical advice and recommendation from the Infrastructure Planner (EnergyCo). It is beyond the power and functions of the Consumer Trustee to evaluate the accuracy of the technical advice and recommendations from the Infrastructure Planner.

The **Centralised System Strength (CSS) Fee** relates to the centralised system strength infrastructure delivered to meet the requisite system strength demand<sup>7</sup> from generators connecting to the Access Rights Network. This component is expected to be a fixed per megawatt per annum fee. The CSS Fee is expected to be calculated as set out below in [Figure 3](#).

**Figure 3: Centralised System Strength (CSS) Fee calculation**

$$\begin{array}{|c|} \hline \text{Centralised} \\ \text{System} \\ \text{Strength Fee} \\ \text{(\$ p.a.)} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{CSS Fee} \\ \text{Charge} \\ \text{(\$/MW)} \\ \hline \end{array} \times \begin{array}{|c|} \hline \text{Maximum} \\ \text{Capacity} \\ \text{(MW)} \\ \hline \end{array}$$

The **Hub to Project (H2P) Fee** relates to the network infrastructure between the connection hub and the Access Right Holder's Project. This component is expected to vary depending on Project specific factors and is therefore bespoke for each Project.

The H2P Fee for each Project is proposed to be calculated on the basis of the individual Project's minimum viable distance from the connection hub. It can be provisionally calculated as set out below, in [Figure 4](#).

*This formula has been updated since the Draft Tender Information – CWO REZ Access Rights June 2023.*

**Figure 4: H2P Fee calculation**

$$\begin{array}{|c|} \hline \text{Hub to Project} \\ \text{Fee (\$ p.a.)} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{H2P} \\ \text{Transmission} \\ \text{Charge} \\ \text{(\$/km)} \\ \hline \end{array} \times \begin{array}{|c|} \hline \text{Minimum} \\ \text{Viable} \\ \text{Distance} \\ \text{(km)} \\ \hline \end{array} + \begin{array}{|c|} \hline \text{H2P Fixed} \\ \text{Connection} \\ \text{Charge (\$)} \\ \hline \end{array} + \begin{array}{|c|} \hline \text{Project} \\ \text{Specific} \\ \text{Variable (\$)} \\ \hline \end{array}$$

<sup>7</sup> Based on a minimum short-circuit-ratio of 2.2 being maintained at all connection points, assuming that Liddell and Eraring power stations retired and Vales Point, Bayswater, and Mt Piper power stations remained open (though not necessarily with all units generating)

The H2P methodology may be subject to review and amendment by the Consumer Trustee having regard to recommendations and information provided by EnergyCo. EnergyCo has received detailed H2P costs on a project by-project basis from the NO for the CWO REZ. Once this is sufficiently developed, the Consumer Trustee will review this information and may in its discretion amend the H2P methodology above having regard to this pricing information provided by EnergyCo. If this occurs, the Consumer Trustee will update its guidance. The Consumer Trustee will only replace the H2P methodology if it is satisfied that doing so would be consistent its statutory duties under the EII Act, including the Access Fee principles outlined in Section 2.1. In this event, the Access Rights tender documentation will be amended accordingly.

The CSS and H2P Fees are reflective of the expected infrastructure costs estimated by EnergyCo, but EnergyCo has advised the Consumer Trustee that the estimated infrastructure costs may not be an exact pass-through of the final infrastructure costs approved by EnergyCo. This is due to the residual risks associated with the delivery of the infrastructure and uncertainty in assumptions on the costs and terminal value of these assets (explained in Section 2.2). The basis of the Access Fee assumptions outlined in this paper reflects the Consumer Trustee's expectation that EnergyCo's inputs on the scope and costs of the CSS and H2P assets are unlikely to change materially. The Consumer Trustee intends to provide any updates prior to the Financial Value Bid stage<sup>8</sup> to provide certainty to Proponents participating in the tender on the Access Fees that they would be expected to pay.

After the Access Fee Determination is finalised, the residual risks from cost variations in delivery of the network infrastructure may be passed on to NSW electricity customers. These cost variations will be approved by EnergyCo and would be subject to an AER determination process prescribed under the EII Act. Residual costs due to variations that are not expected to be paid by Access Rights Holders may include:

- increases to costs of H2P and CSS components resulting from the final procurement of these assets, that cannot be passed to Access Rights Holders after the submission of Financial Value Bids and the Access Fee Determination has been made;
- costs caused by an Access Right Holder's default, insolvency, or termination of Projects and Access Right Agreements, where bonding is inadequate, no suitable replacement can be found in a timely manner and the SFV cannot recover those costs from the Access Right Holder;
- delays to the delivery of network infrastructure leading to cost impacts that will not be borne by the Network Operator under the Project Deed or Access Rights Holders under the terms of the relevant agreements; and
- decisions by EnergyCo after the determination process that result in changes to the scope, cost or risk of H2P or system strength assets to the SFV.

<sup>8</sup> For more information on Financial Value Bid stage, see Section 3.1.7 of Tender Guidelines for Tender 3: <https://aemoservices.com.au/-/media/services/files/tender-round-3/tender-round-3-tender-guidelines.pdf>

# 3. CWO Access Fee assumptions and calculation

This section summarises the underpinning assumptions and calculation methodology anticipated for each component of the CWO Access Fee. The calculation is a guide only and should not be treated as the final Access Fee Determination of the Consumer Trustee.



Proponents will be required to engage with EnergyCo to receive draft inputs for their H2P Fee calculation. This information and further information will be included in the Basis of Bid issued to each Proponent by EnergyCo.

## 3.1 CWO Access Fee Calculator and assumptions

The Access Fee Calculator is designed to assist Access Rights Proponents to estimate their expected Access Fees (see [Chapter 4](#)). It provides all stakeholders, including competing Proponents and electricity consumers, with transparency on the inputs used to determine the Access Fees.

The Consumer Trustee will consider the estimated value produced by the calculator when making its Access Fee Determination. However, in exercising its statutory function under section 26 of the EII Act, the Consumer Trustee will not be constrained by the estimated value produced by the Access Fee Calculator. Should the Consumer Trustee's final Access Fee Determination differ from the provisional fee submitted by the Proponent in its Financial Value Bid, the Consumer Trustee will notify the Proponent and allow an opportunity for the Proponent to amend its Financial Value Bid to reflect a revised Access Fee in line with the expected Access Fee Determination.

The Access Fee Calculator applies the calculation methodology used to estimate a Project's Access Fee and includes prepopulated values of the following inputs:

- Base Fee and global assumptions as set out in [Table 2](#).
- cost estimates and assumptions for system strength and H2P assets provided by EnergyCo as set out in [Table 3](#).

Proponents will use the Access Fee Calculator to estimate their provisional CWO Access Fee by completing the following inputs and assumptions specific to their Project or Bid:

- Basis of Bid inputs, provided by EnergyCo to each CWO Access Right Proponent prior to the tender commencement as set out in [Table 4](#).
- CWO Proponent Bid Variables as set out in [Table 5](#), which are parameters bid by CWO Access Right Proponents for each connection point.

Using the inputs detailed above, the Access Fees Calculator produces the following fee estimates:

- Real & Nominal Base Fee (Real 2027 AUD\$ million quarterly & annually)
- Real & Nominal CSS Fee (Real 2027 AUD\$ million quarterly & annually)
- Real & Nominal H2P Fee (Real 2027 AUD\$ million quarterly & annually)

Under the Access Payment Deed, Access Fees will be payable quarterly, in advance. The Access Fee Calculator output is used for the purpose of assisting Proponents in understanding the Access Fee calculations and completing the Access Payment Deed returnable schedules.

**Table 2: Base Fee and global assumptions** determined by the Consumer Trustee with input from other Roadmap entities (as per Table 1: Access Scheme Roles and responsibilities)

Access Assumptions Input	Unit	Amount	Used in	Notes
<b>Base Fee assumptions</b>				
Base Fee charge	Nominal 2027 AUD\$ per MW per annum	\$4,000	Calculating the Base Fee in the Access Payment Deed	This fee includes the amounts prescribed in Sections 26 (2) and (4) of the EII Act to fund Community and Employment Benefits.
<b>Global assumptions</b>				
Fixed Indexation	% per annum	2.50%	Calculating the Fixed Indexation in the Access Payment Deed	Escalates all Access Fees on a quarterly basis. The base date for fixed indexation escalation is anticipated to be 30 June 2027.

**Table 3: H2P and system strength network asset cost inputs and assumptions** provided by EnergyCo (as per Table 1: Access Scheme Roles and responsibilities)

Access Assumptions Input	Unit	Amount (Indicative)	Used in	Notes
<b>CCS Fee assumptions</b>				
CSS Fee charge	Real 2027 AUD\$ per MW per annum	\$8,000 - \$9,000	Calculating the CSS Fee in Access Payment Deed	This charge is based on the cost of seven (7) 250 MVA synchronous condensers for a capacity of 1,750 MVA to meet the required 2.2x short circuit ratio at the time the REZ is commissioned. A procurement process is currently underway for synchronous condensers - the current estimated capex is \$595 million plus financing costs of 18% of capex during construction for a period of 4 years (annualised c. 4% per annum).
CSS - O&M and lifecycle charge	% of capex, paid annually	1.50%	Calculating the CSS Fee in the Access Payment Deed	This charge is based on market benchmarks sourced from EnergyCo for the estimated annual operations and maintenance cost.
CSS useful life	years	40	Amortising the CSS Fee in the Access Payment Deed	Based on advice from EnergyCo.
CSS Assumed Cost of Capital	% per annum	7.00%	Calculating the CSS Fee in the Access Payment Deed	Assumed financing cost of capital expenditure on network infrastructure. Proposed to be included in the Access Fee over the term of the Access Rights.
<b>H2P Fee assumptions</b>				
H2P Transmission charge	Real 2027 AUD\$ million per km	2.55	Calculating the H2P Fee in the Access Payment Deed	This represents the cost of the transmission line connecting the Project with the connection hub, provided by EnergyCo.  This component also includes associated costs borne by the Infrastructure Planner for land access, easements, and other development and social license-related costs.  The allocated amount is excluding financing costs of 18% during construction for a period of 4 years (annualised c. 4% per annum).
H2P Fixed Connection Charge	Real 2027 AUD\$ million per connection	24.08	Calculating the H2P Fee in the Access Payment Deed	This represents the capital works relating to the connection point required to connect the Project. EnergyCo estimates that the costs for each connection point will be \$24.08 million excluding financing costs equivalent to 18% of capex accumulated over the construction period of 4 years (annualised c. 4% per annum).
H2P - O&M and lifecycle charge	% per annum of capex charge	1.50%	Calculating the H2P Fee in the Access Payment Deed	This charge is based on market benchmarks sourced from EnergyCo for the estimated annual operations and maintenance cost.
H2P useful life	years	50	Amortising the H2P Fee in the Access Payment Deed	Based on advice from EnergyCo.
H2P Assumed Cost of Capital	% per annum	7.00%	Calculating the H2P Fee in the Access Payment Deed	Assumed financing cost of capital expenditure on network infrastructure. Proposed to be included in the Access Fee over the term of the Access Rights.

Access Assumptions Input	Unit	Amount (Indicative)	Used in	Notes
<b>General Fee assumptions</b>				
Terminal Value <sup>9</sup>			Calculating the H2P and CSS Fee in the Access Payment Deed	The residual value of the H2P and CSS assets, based on a 50 year useful life, and straight line amortisation with 2.5% appreciation per annum.

**Table 4: Basis of Bid inputs** determined by EnergyCo for each CWO Access Right Project and issued to each Proponent (as per Table 1: Access Scheme Roles and responsibilities)

Basis of Bid Input	Unit	Amount	Used in	Agreement Schedule	Notes
<b>H2P Fee assumptions</b>					
Project specific variable	Real 2027 AUD\$ million per Project	To be confirmed for each Proponent as part of the Basis of Bid	Calculating the H2P Fee in the Access Payment Deed		This refers to specific capital works relating to unique infrastructure requirements for each Project.
Minimum viable distance	km	To be confirmed for each Proponent as part of the Basis of Bid	Calculating the H2P Fee in the Access Payment Deed		This refers to the distance between the Project and the Project hub.
<b>General assumptions</b>					
Access Fee Payment Term start date	date	To be confirmed for each Proponent as part of the Basis of Bid	Determining the start date of the Access Fee payment schedule	Access Project Development Agreement	Start date is the Infrastructure Completion Date plus 60 business days, where Infrastructure Completion Date means the date on which network infrastructure completion occurs in accordance with the CWO REZ Project Deed.

<sup>9</sup> The CSS and H2P assets have useful lives that are longer than the provisional concession period of the Access Scheme (expected to be up to 30 years) and the correlating maximum term of the Access Payment Deed. EnergyCo intends to agree a pre-determined terminal value for these assets with the NO based on the concession period. The CWO Access Fee Calculator estimates the Access Fee to recover the costs of these assets up to the expected terminal value.

**Table 5: CWO REZ Proponents Bid Variables** provided by the Proponent

Project Characteristics Input	Used in	Agreement Schedule	Unit	Source
Maximum Capacity	Calculating the Base Fee and CSS Fee in the Access Payment Deed	Access Project Development Agreement – Schedule 3	MW	Stage B Financial Value Bid
Payment Term <sup>10</sup>	Calculating fee schedule in the Access Payment Deed	Access Payment Deed	years	Stage B Financial Value Bid

### 3.2 Access Payment Deed terms

The Access Payment Deed details the payment terms of the CWO Access Fee. As part of its Access Right, the Access Right Holder will be required to provide the SFV with security bonding. The purpose of this is to protect the interest of NSW electricity customers by protecting Roadmap entities against losses arising from awarding Access Rights. With respect to security bonding, the Payment Deed details the provision of securities to the SFV in relation to the Access Fee, mechanisms to manage the top up, step down and replacement of securities and circumstances and processes around when and how the SFV can draw down on an Access Right Holder's Securities.

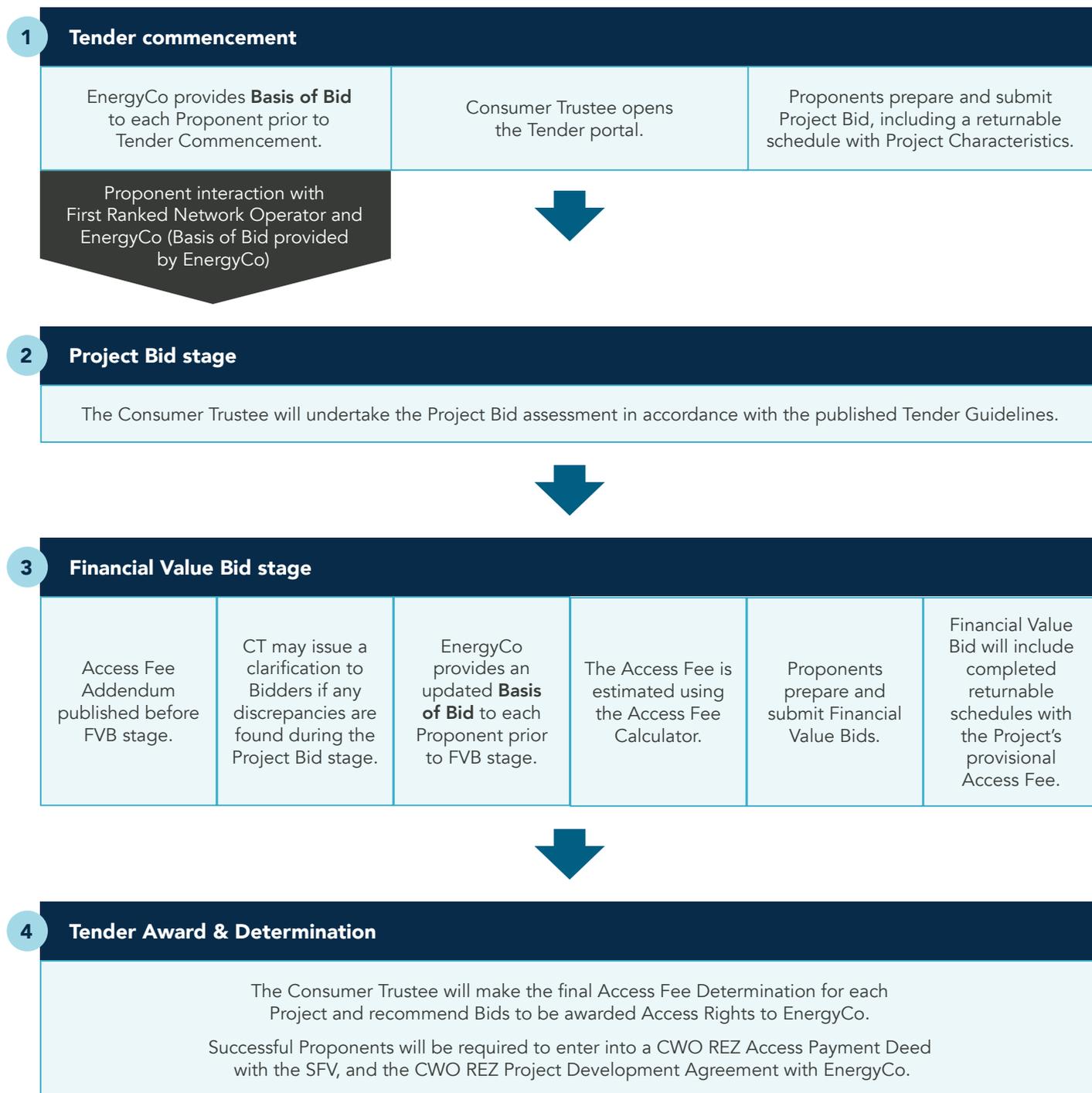
<sup>10</sup> In accordance with the Access Payment Deed, this is the period commencing 60 Business Days after the Infrastructure Completion Date until the end of the Access Scheme or earlier termination of the Access Payment Deed in accordance with its terms. Projects with connection tenors in the ESCA shorter than this period will be expected to only pay the CSS and Base Fee over the ESCA amortise the same H2P costs over the shorter ESCA tenor.

# 4. The Access Fee Determination Process & Adjustments

## 4.1 Access Fee Determination process

Access Fees will be determined by the Consumer Trustee prior to recommending Projects to be awarded Access Rights by EnergyCo. The steps involved in the Access Fee Determination process is shown in [Figure 5](#), and are closely aligned with the tender process outlined in the Tender 3 Guidelines, Section 3: Tender and Assessment Process.<sup>11</sup>

**Figure 5: Process for Access Fees**



<sup>11</sup> <https://aemoservices.com.au/-/media/services/files/tender-round-3/tender-round-3-tender-guidelines.pdf>

## 4.2 Adjustments to the Access Fees

After the Access Fee Determination and the signing of the Access Payment Deed, adjustments to the Access Fee will only be accommodated under limited circumstances contemplated in the Access Fee Determination. It is envisaged that changes would be subject to agreement with EnergyCo under the Access PDA and an AER determination on any cost variations charged by the Network Operator, where relevant. Subject to the conditions set out in the Access Fee Determination, the applicable input variable would be updated in the Access Fee Calculator to determine a variation of the CWO Access Fee schedule under the Payment Deed. Examples of potential changes include:

- A change in a variable of Schedule 3 – Project Characteristics of the Access Project Development Agreement (Access PDA) that are input variables in the Access Fee Calculator, initiated by the Access Right Holder, resulting in a higher Access Fee.
- Changes to H2P assets, initiated or agreed to by the Access Right Holder, that result in additional costs incurred by the Network Operator, are expected to result in an equivalent variation of the Access Fee.
- Downward changes in the Access Fee arising from a change in the Project's maximum capacity (MW) under its Access Right will be limited to reflect a 5% reduction in maximum capacity. The Consumer Trustee may consider a downward change greater than 5% in the Access Fee arising from a reduction in the Project's maximum capacity (measured in MW) in limited circumstances. This may occur where the reduction in capacity was not foreseeable at the time of making the original determination and where this change is granted under the Access PDA by EnergyCo.
- Delay events may be triggered in rare circumstances, outside the Access Right Holder's control. For example, if the Network Operator is delayed, an extension to the Infrastructure Completion Date (which triggers the commencement of Access Fee payments) may be permissible under the Access Right Agreements. A delay in this case may result in a change to the schedule of Access Fee payments, including the Payment Term and associated indexation.

# 5. Important Clarifications

## 5.1 Useful asset life

Regardless of the term of the access Right for a Project (see Figure 3 in Chapter 3), the Access Right Holder is expected to amortise the costs of the H2P assets and CSS costs in full down to the terminal values, which are based on 40 year and 50 year asset lives, respectively. These terminal values are the values of the assets at the current expected end of the Scheme. This is further explained in Section 2.2.

## 5.2 Multiple Connection Points

An Access Right will be awarded for each single connection point, and the Access Fee will be determined for each Access Right. This means that an Access Right Holder may hold more than one Access Right where a Project requires more than one connection point, and this would correlate to multiple Access Fee Determinations for a single Project.

## 5.3 Technology

The majority of the Access Fee is expected to be set on a per MW capacity basis, with the same charge applied irrespective of generation technology type and calculated on the maximum capacity of a Project's Access Right. The H2P component of the Access Fee is expected to be set on a Project specific basis.

The Access Scheme does not require load-only assets to obtain Access Rights or pay associated Access Fees.

Access fees for standalone storage and hybrid projects may be determined differently to generation projects to reflect the characteristics of individual storage and hybrid projects.

For example, it is expected that standalone storage projects will not be required to pay the CSS Fee, but will be required to pay the Base Fee and the H2P Fee. The Consumer Trustee is considering its approach to the CSS Fee component for other technologies, for example, hybrid projects. It is expected that hybrid projects with a storage component behind the connection point would be charged Access Fees based on the maximum capacity of their Access Right. Proponents may bid a maximum capacity for an Access Right for a hybrid project that is less than the maximum generation of their combined storage and generation capacity units.

## 5.4 GST

Tax advice with respect to GST being payable (or not) on Access Fees is currently being sought.

Prior to the finalisation of GST treatment for Access Fees, a conservative assumption that GST will be payable on Access Fees has been adopted. Therefore, Access Fee calculations in the Draft Access Fee Calculator have been grossed up by a 10% GST amount. For the avoidance of doubt, no other Access Fee components or calculations in this document are inclusive of GST.

If GST is payable on Access Fees, Projects may be entitled to claim full input tax credits for the GST incurred on the basis that the acquisition of Access Rights wholly relates to making taxable supplies of electricity. However, this document should not be read as tax advice, and therefore Proponents are expected to seek tax advice at the appropriate time.

If GST is deemed not payable on Access Fees at a future date, Proponents will be notified, and any GST amounts in the calculation or determination of Access Fees will be removed.