Tender Round 6: LDS LTESA Proponent webinar

May 2025

We acknowledge the Traditional Custodians of the land, seas and waters across Australia. We honour the wisdom of Aboriginal and Torres Strait Islander Elders past and present and embrace future generations.

We acknowledge that, wherever we work, we do so on Aboriginal and Torres Strait Islander lands. We pay respect to the world's oldest continuing culture and First Nations peoples' deep and continuing connection to Country; and hope that our work can benefit both people and Country.

'Journey of unity: AEMO's Reconciliation Path' by Lani Balzan

AEMO Group is proud to have delivered its first Reconciliation Action Plan in May 2024. '*Journey of unity: AEMO's Reconciliation Path*' was created by Wiradjuri artist Lani Balzan to visually narrate our ongoing journey towards reconciliation – a collaborative endeavour that honours First Nations cultures, fosters mutual understanding, and paves the way for a brighter, more inclusive future.

Read our RAP

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This publication has been prepared using information available at 21 May 2025.

Housekeeping

Your microphone should be automatically muted and your camera off.

Questions are to be submitted through Slido.

If you are unable to access Slido, please email your question to stakeholderengagement@aemoservices.com.au

AEMO Services

Who are we?

A subsidiary of AEMO with an independent board, we are purpose built to help transform Australia's energy system.

Our vision:

A net zero energy system that benefits all Australians.

Our purpose:

Bridging ambition and action to deliver the energy transition.

Services

We provide tender and advisory services to support investment in energy infrastructure across Australia.

Our services include tender delivery and system planning, product design and advice, financial risk management and advice, governance and established stakeholder relationships.

Purpose of today's discussion

The purpose of today's discussion is to provide Proponents with an understanding of Tender Round 6 to enable high quality submissions.

1. Introducing Tender Round 6
2. Overview of the LDS LTESA Product
3. Assessment Framework
4. Tender 5 Outcomes
5. Next steps and Q&A

Introducing Tender Round 6: LDS LTESAs

About Tender Round 6

Tender Round 6 is the fourth Tender Round offering LDS LTESAs.

Indicative tender size of **1 GW (at least 8 GWh)** of LDS projects.

This Tender Round is being conducted to **support the achievement of NSW's targets** under the *Electricity Infrastructure Investment Act 2020* (NSW) (**EII Act**)

Minimum Objectives under the EII Act

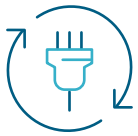
The Electricity Infrastructure Objectives Act 2020 (NSW) Act has two Minimum Objectives for LDS infrastructure:

- 2 GW and 16 GWh by 2030
- 28 GWh by 2034

These objectives are **minimums**. Where AEMO Services identifies a need to procure infrastructure beyond these targets and it is in the long-term financial interests of NSW electricity customers, it will do so.

Who can participate?

Tender Round 6 is open to all eligible Projects in the NSW region of the NEM that can meet the Eligibility Criteria in the Tender. These include (but are not limited to):



Projects must consist of storage units with registered capacity that can be **dispatched for at least eight hours** and must be able to **continuously dispatch** at this level over the term of the LTESA.

Projects must have **received SEARs** and must be **in receipt of a connection agreement** or a NSP response to connection enquiry.

Project is or will be **registered with AEMO to participate in the central dispatch** in the NSW region of the NEM.

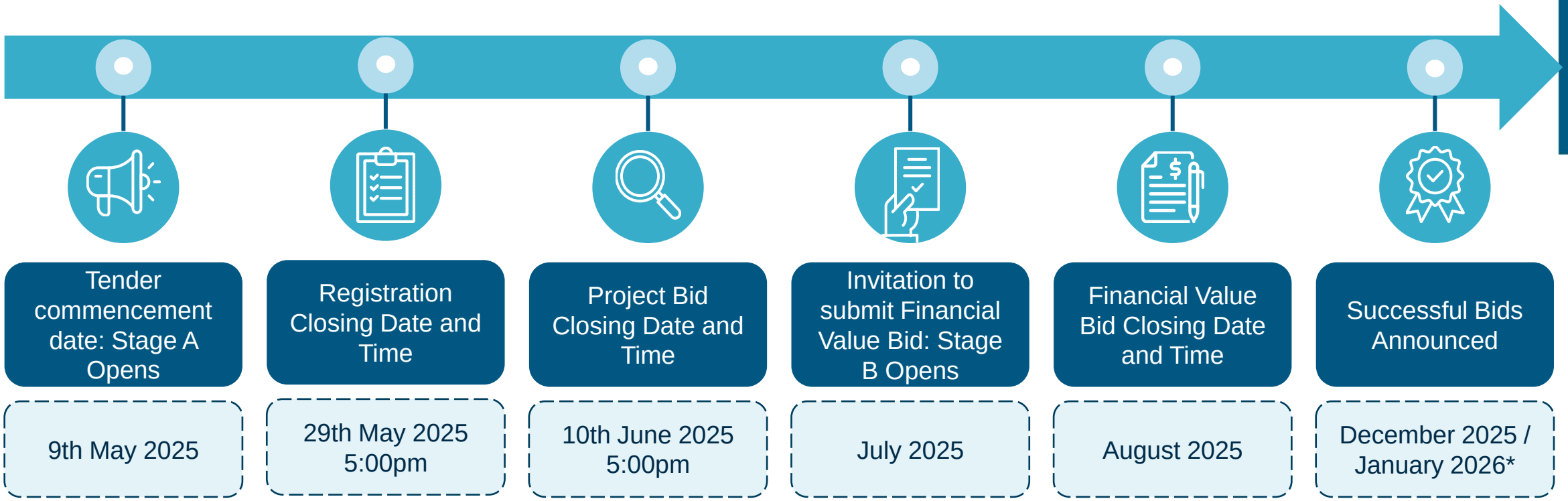
Projects must **not be in receipt of financial support** in the form of project capital support, periodic payments or revenue underwriting from the State or Commonwealth government.

Project must **not have been identified as committed or existing**, in the AEMO Generation Information page as of **14 November 2019.**

This slide provides a summary of some Eligibility Criteria and should not be relied on - the Tender Guidelines contain the comprehensive Eligibility Criteria.

Tender Round 6 timeframe

Tender Round 6 is currently open and will run until December this year.



Q&A 9th May – 29th May

**These dates are indicative and subject to change, final dates will be communicated via the Online Portal.*

The Product: LDS LTESA

LDS LTESA

The LDS LTESA provides a capped annuity payment as a top-up to a Project's net operational revenues to mitigate against cash flow volatility and lack of forecast project revenues.

Key Features

- Provides revenue certainty to attract investment
- Long-term contracts available (up to 40 years)
- Operating strategy is set by LTES Operator
- Supports price signal responsiveness of LDS projects
- Encouraged to respond to all valuable revenue opportunities including merchant exposure and offtake contracting, in any period
- Provides risk-sharing for certain changes in law
- Option has value upon signing but at no upfront option premium cost

LTES Operator enters an agreement providing it with a series of **Options to enter an Annuity Product which allows for:**

- **Revenue top-up** – Upon exercise, the Scheme Financial Vehicle (SFV) provides a revenue top-up to annual Net Operational Revenues where they are below a threshold.
- **Limited repayment** – Upside sharing of revenues is capped by Historical Net Payments, ensuring LTES Operator is always better off having an LTESA.

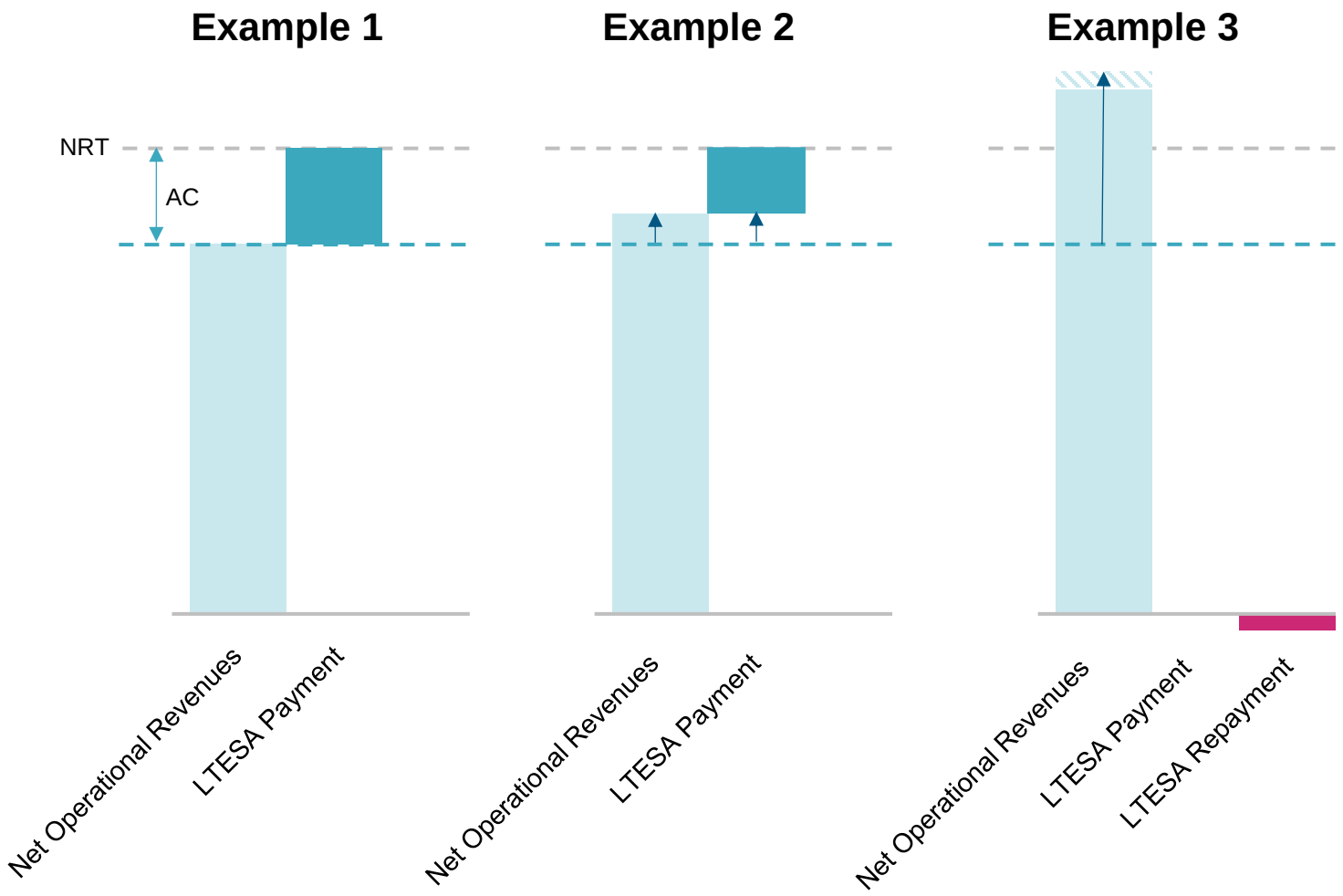
LDS LTESA

The LDS LTESA provides a revenue top-up if 'Net Operational Revenues' are insufficient to meet the 'Net Revenue Threshold'.

Key terms	
Contract term	Up to: 14 years for chemical batteries, 40 years for Pumped Hydro Energy Storage (PHES), the lesser of 40 years or asset life for any other LDS technology
Net Revenue Threshold	The net revenue threshold bid (in $/year), above which additional provisions apply for the annuity payment and repayment mechanism
Annuity Cap	The annuity amount bid (in $/year), in a Tender Round process, being the maximum annuity per year that may be paid by the SFV to the LTES Operator.
Net Operational Revenue	Intended to cover all streams for the Project that are received by the LTES Operator, netted off against permitted costs. Includes gross revenue through wholesale energy market, ancillary services, network support, any future emerging market costs and any other eligible contracts, minus certain costs including the cost of purchasing energy to generate these revenues.

Example scenarios

Three example scenarios are provided below.



(1) Full Annuity Cap paid:
Project earns Net Operational revenues but needs the Annuity Cap to be paid in full for the sum of revenues to meet Net Revenue Threshold.

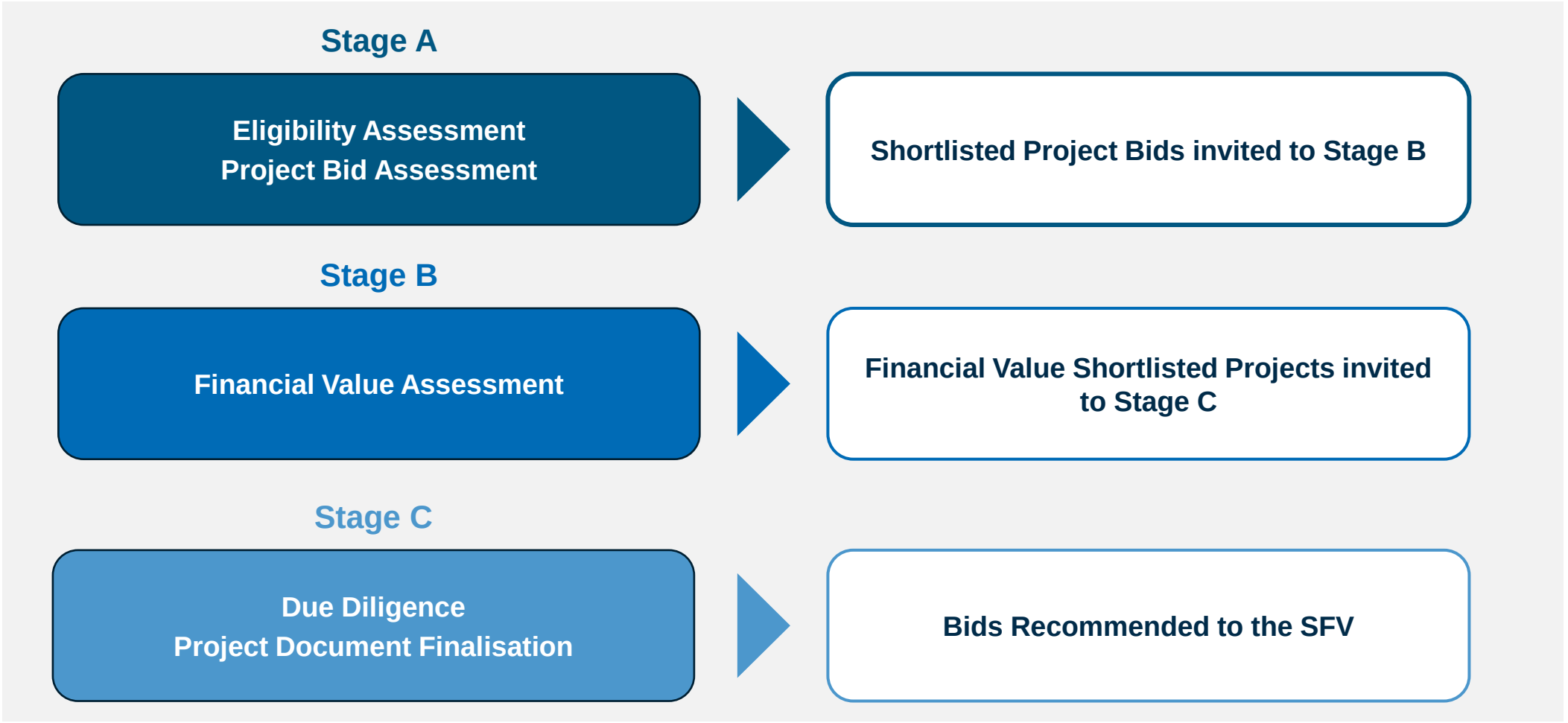
(2) Partial Annuity Cap paid:
Project earns more Net Operational Revenue, so Annuity Cap not paid in full.

(3) Repayment to SFV:
Project earns Net Operational Revenues in excess of Net Revenue Threshold. None of the Annuity Cap is paid and LTESA Payment is zero. Project may have to make LTESA Repayment of some amounts.

Assessment Framework

Assessment framework

The assessment of Bids to award an LDS LTESA is conducted over three key stages:



Stage A: Project Bid Stage

The Project Bid Merit Assessment focuses on the non-financial merit of a Bid and covers 4 Merit Criteria.

MC1: Impact on the Electricity System	• The Project's impact on the electricity system, including congestion • The Project's ability to provide essential system services and/or contribute to system strength
MC2: Pathway to Commercial Operation	• Pathway and progress towards reaching Financial Close and Commercial Operations, including risks to timely Project completion • Progress towards securing all required approvals, land, and connection agreement
MC3: Organisational Capability to Deliver	• Capacity, capability, and track record of the Proponent, its management, and other relevant entities involved in the Project to deliver the Project
MC4: Community Engagement, Shared Benefits and land use considerations	• Approach to community engagement • Evidence to demonstrate clear understanding of any Project impacts on community • Tailored approach to minimise and offset any impacts on the community

Stage B: Financial Value Bid Stage

The Financial Value Assessment focuses on the benefits and costs of the project and cover 3 Merit Criteria.

MC5: Financial Value and System Benefits	• The benefit of the Project, including its ability to reduce wholesale electricity prices • The forecast cost of the LTESA
MC6: Commercial Departures	• The nature and extent of commercial departures and the resulting risk-transfer from the proforma Project Documents
MC7: Regional Economic Development	• Demonstration and/or commitments to improve regional economic development, including local supply chain, workforce, and First Nations participation

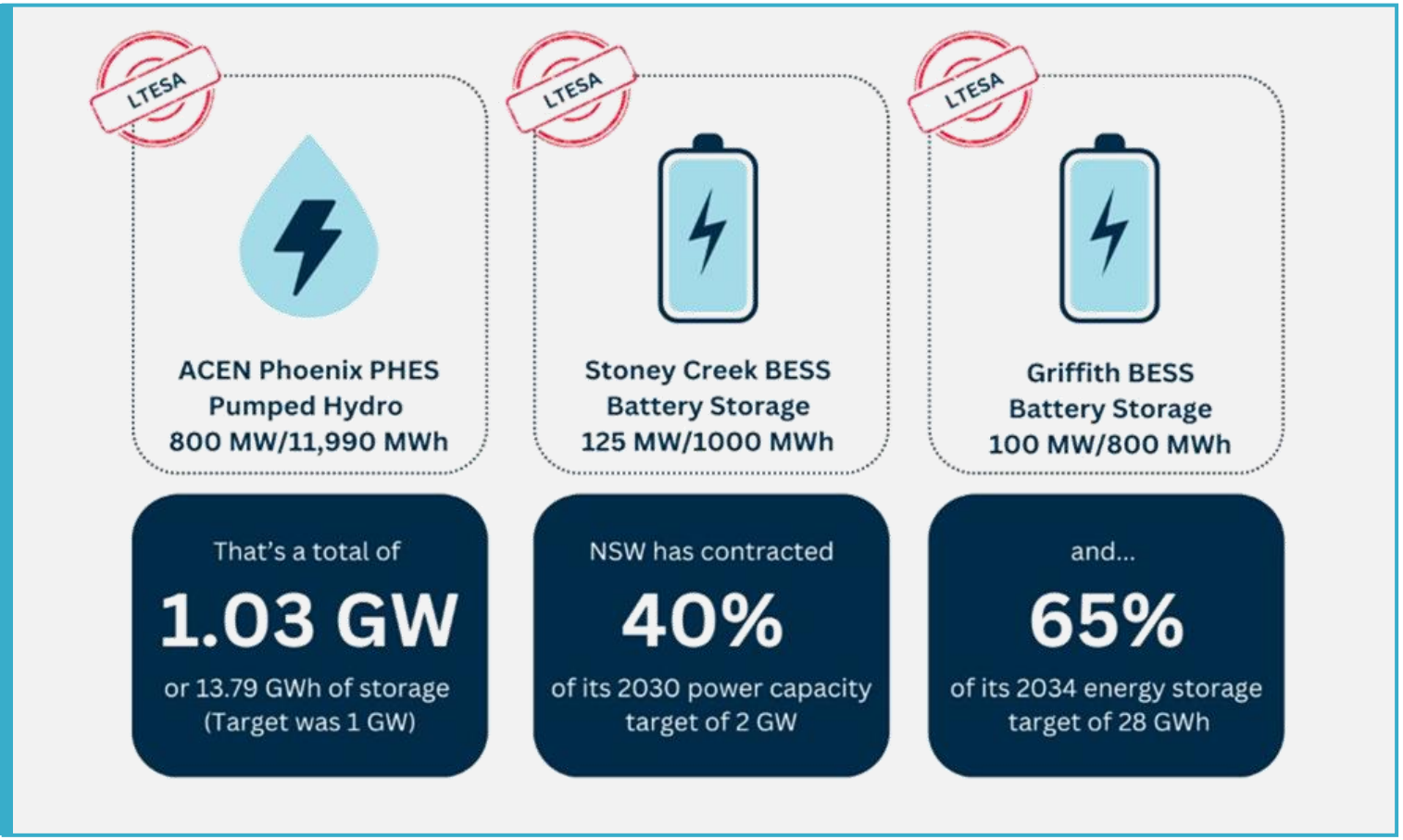
Tender Round 5 outcomes & Next steps

Tender Round 5 outcomes

Three projects representing 1.03GW (13.79 GWh) of long duration storage have received LTESAs following Tender 5.

The successful projects include:

- A PHES project which is expected to have a storage capacity of about 11,990 MWh and capable of dispatching for a nominal storage duration of about 15 hours.
- Two Battery Energy Storage Systems (BESS) which each have storage capacity equivalent to 8 hours' duration.



Tender Round 5 outcomes

Successful Bids scored well against the merit criteria and used the product in a way that minimised costs, providing long-term value to NSW electricity customers.

Non-financial merit criteria	• Diverse range of social license initiatives. • Clear pathway to commercial operations and strong organisational ability to deliver project. • Low or positive impact on curtailment of existing generators.
Contract terms	• All projects provided **minimal or no departures** from the pro-forma contract risk allocation. • Some projects bid a reduced contract term.
LTESA Prices	• Annuity Caps bid below the Net Revenue Threshold, which implies the LTESA is used to guarantee a lesser amount than required to achieve investment hurdles.
Market benefits	• Successful Bids had an average storage duration of more than 8-hours and a combination of shorter-term operational lives for BESS and longer for PHES. • Longer storage duration and operational life increased the assessed benefits. • For longer asset life technologies, the ability to accrue higher long-term benefits is important to offset potentially higher LTESA costs.

Key drivers of value

Bids are getting more competitive over tender rounds. However, the tender is not about lowest cost, it's about value for money.

Duration	• The longer the storage duration, the higher its benefits may be to the market. • Longer duration projects may perform particularly well in scenarios or years where coal is no longer online or where there are high instances of thermal plant outages.
Location	• Projects that are well located to support load centres or help in reducing reliability risks or the need to invest in transmission infrastructure can create value to the system and NSW electricity customers.
Timing	• The earlier that a project can come online, the sooner it will begin providing benefits to NSW electricity customers. • This could be particularly important in earlier years where there's potential for undersupply of energy.
Social license	• Projects that positively impact local communities or otherwise provide value to society are considered positively.

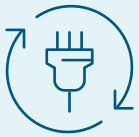
Average Equivalent Annuity Cap

The Equivalent Annuity Cap is a representative value calculated from the Annuity Cap in awarded LDS LTESAs but with a more similar basis across bids. It is designed to allow for comparison between tenders.

The LDS LTESA has two key bid variables:

- **Annuity Cap ($/year)** – key bid variable which sets the maximum annuity payment per year that may be paid by SFV to LTES operator.
- **Net Revenue Threshold ($/year)** – a threshold value of net operational revenues, below which annuity payments are made, and above which the repayment mechanism applies.

Equivalent Annuity Cap is representative of the Annuity Cap under default terms with it being a single value (not a schedule), subject to escalation.



It illustrates a **bid price**, not a cost outcome.

It considers the **maximum allowable contract term** for a given technology with no excluded annuity periods.

MWh-weighted averages for all Project awarded an LDS LTESA across **Tender Rounds 1, 3 and 5** are shown in the table (right).

Maximum term	Equivalent Annuity Cap[1] (MWh-weighted)	
	$/MW/year	$/MWh/year
14-year	183,000	23,000
40-year	156,000	11,000

Example where annuity periods are reduced:

A bid from a battery for **14** annuity periods with a single Annuity Cap value (subject to default escalation) will have the **same** value for its Equivalent Annuity Cap as its bid Annuity Cap.

If an otherwise identical bid had only **10** annuity periods, the Equivalent Annuity Cap would be **lower**, such that the present value of annuity caps is equivalent but spread over 14 annuity periods.

1 –MWh-weighted average from all successful LDS LTESA bids, rounded to nearest $1,000

Engagement and Next Steps

We are committed to ongoing engagement and improving the Proponent experience

Webinar: A recording of this webinar will be available on AEMO Services' website.

Q&A: The formal Q&A Process is running from **until 29 May 5:00pm.**

Documents: All relevant documentation for Tender Round 6 can be found on AEMO Services' website.

We look forward to your bid!

Closing date: 10 June 2025 5:00PM

For more information visit

aemoservices.com.au