

22 November 2023

NSW tender for firming capacity exceeds expectations

AEMO Services has selected six projects representing 1,075 megawatts (MW) with almost 3 gigawatt hours (GWh)¹ of energy from its inaugural tender for firming capacity, which will now be fast-tracked to increase reliability by firming the state's renewable energy generation into the future.

The successful bidders from Tender 2 of the NSW Electricity Infrastructure Roadmap include two 2-hour duration Battery Energy Storage Systems (BESS) projects, one 4-hour duration BESS project, and three demand response Virtual Power Plant (VPP) projects.

The outcome exceeded the final indicative tender size of 930 megawatts (MW), which was increased from 380MW following strong additional support from the Commonwealth's Capacity Investment Scheme.

The tender process requires projects to competitively bid the pricing terms for a financial support contract. The support payments top-up revenue the projects expect to receive from participating in the National Electricity Market. AEMO Services' Long-Term Energy Service Agreement (LTESA) contract design means the subsidy paid by NSW electricity consumers is competitively determined and should be materially lower than financial support subsidies required under other commonly used contract structures.

AEMO Services Chair, Paul Moy, commented that "Firming capacity is a key aspect of the energy transition as the state's coal generation exited the industry. This tender is a first step in meeting this challenge at a reasonable cost to consumers. Combined, the projects in this tender will have the equivalent capacity to supply of 8% of the total 2023 NSW summer peak demand."

"The combination of a highly competitive tender and an innovative contract design are in the long-term financial interest of consumers. The very important contribution from the Commonwealth's Capacity Investment Scheme programme has been a major factor in improving financial outcomes for consumers."

Dr Moy said each of the successful bidders are contracted to be on-line by the end of 2025.

AEMO Services Executive General Manager, Paul Verschuer, added "Before we assess the financial value of a project for the state's energy consumers, it has to pass an appraisal of its social licence commitments, deliverability and the organisational capability and capacity,".

"We go to great lengths to ensure projects can be delivered as advertised, and that they will provide real and lasting benefits to the network and their host communities.

"AEMO Services has conducted three tenders over 12 months, two for generation and long duration storage infrastructure and one for firming infrastructure, each of these tenders has been oversubscribed," Mr Verschuer said.

¹ Please note this includes Demand Response Projects who have a contracted minimum response duration of 2 hours so are taken to have an energy storage equivalent of twice their capacity.

“The first tender for generation and long duration storage has been completed, exceeding its generation target in supporting 1,395 MW of new infrastructure, alongside the nation’s first eight hour long duration storage lithium-ion battery.

“The results from the latest generation and long duration storage tender are expected to be announced by the end of the year. A fourth tender, opened for generation infrastructure last month.

“As one of the world’s fastest decarbonisation initiatives, the NSW energy transition has inevitable challenges, however these tenders demonstrate strong momentum and interest from the private sector to deliver this new generation of cleaner, more affordable and reliable energy infrastructure at rapid pace.

“Ultimately, this competition will help ensure financial value for the state’s energy consumers, which is the core of our mandate as the Roadmap’s Consumer Trustee.”

ENDS

About the tender

- Tender 2 of the NSW Electricity Infrastructure Roadmap was to procure at least 380 MW of additional firming infrastructure in Sydney-Newcastle-Wollongong sub-region to assist NSW electricity system security and reliability from December 2025.
- It commenced on 3 April 2023, using a two-stage process – the first assessed a project’s social licence commitments, deliverability, and quality of proponent and the second assessed a project’s financial value to NSW electricity consumers.
- In June 2023, the Commonwealth government supported an additional 550 MW to be procured in Tender Round 2 as part of its Capacity Investment Scheme. The Commonwealth’s support expanded the size of the tender to maximise the benefits for NSW customers.
- Projects that are successful in the Firming Infrastructure Tender will be offered a bespoke Long-Term Energy Service Agreement (LTESA) offering projects the option to access a capped annuity payment as a top-up to the operating revenues of the project.
- For consumers, the Firming LTESA supports an accelerated delivery of infrastructure and binds projects to deliver on time and be available at specific times of greatest consumer need.

Successful Projects in Tender Round 2

Project name	Proponent	Technology	Capacity	Storage capacity	Funding
Liddell BESS	AGL Energy	Lithium-ion battery	500 MW	1,000 MWh	NSW
Orana BESS	Akaysha Energy	Lithium-ion battery	415 MW	1,660 MWh	Commonwealth
Smithfield BESS	Iberdrola Australia	Lithium-ion battery	65 MW	130 MWh	Commonwealth
Virtual Power Plant (VPP)	Enel X Australia	Demand Response	95 MW, comprising three separate VPPs (50 MW, 20 MW, and 25 MW)	Minimum dispatch duration of 2 hours, which will be maintained throughout the LTESA term.	NSW

Location of projects awarded LTESAS in Tender Round 2



About AEMO Services

AEMO Services is a subsidiary of the Australian Energy Market Operator with an independent board, and a key partner in the implementation of the NSW Government's Electricity Infrastructure Roadmap.

We are trusted to plan, assess, and guide long-term investment to help transform the energy sector, and provide advice and make authorisation decisions about REZ network infrastructure projects. As the appointed Consumer Trustee under the NSW Roadmap, we have a mandate to act independently and in the long-term financial interests of NSW electricity consumers. This responsibility is at the core of our work under the NSW Roadmap.

In this capacity we plan and co-ordinate long-term investment in built energy infrastructure, conducting competitive tenders to bring forward projects with the greatest potential to help the state meet its future energy needs.

For more information

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