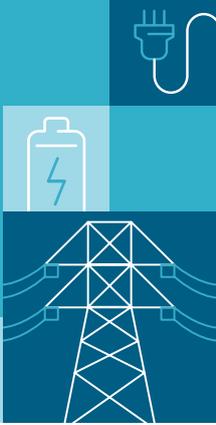


Market Briefing Note

Competitive tender participants connecting to existing transmission & distribution network infrastructure in REZs (excluding CWO REZ)



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 inside geographical areas that are declared renewable energy zones (excluding CWO REZ).

Briefing context



Competitive tenders for LTESA are open to all eligible generation and long-duration storage projects throughout NSW. This includes projects within 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. 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

- ✓ Projects within a declared REZ connecting to existing transmission & distribution infrastructure can submit bids for LTESAs.
- ✓ Projects connecting to existing transmission & distribution infrastructure within a declared REZ are intended to operate under the NEL and NER regime for open access and not required to:
 - apply for access rights to connect to the existing network. The NEL and NER regime for open access will apply and not the REZ access rights regime.
 - pay an access fee.
- ✓ Once an access scheme declaration is made by the NSW government, additional restrictions may be introduced on some transmission & distribution lines in some REZs. The CWO REZ declaration design does not currently contemplate restrictions on existing transmission & distribution infrastructure in the CWO REZ.
- ✓ For future REZs, restrictions may be included in the access scheme declaration, and it is expected that grandfathering exemptions would be considered at that time. Among other categories of exemptions, it is expected that projects awarded an LTESA, and seeking to connect to existing transmission and distribution infrastructure within a REZ, will not later be subject to additional restrictions.



Questions and answers

If an access scheme has not yet been declared in the REZ, can my project connect to existing transmission & distribution network infrastructure (network infrastructure) in a REZ and be eligible to bid for an LTESA?

Yes. Before an access scheme is declared by the Minister for Energy in a REZ, projects seeking to connect to existing network infrastructure in a REZ are eligible to bid for LTESAs.

Once an access scheme is declared it will set out the infrastructure to which the scheme applies. Access schemes may apply to both existing and new network infrastructure in REZs.

To reduce risk or uncertainty it is intended that projects awarded an LTESA to connect to existing infrastructure in a declared REZ, or in the area of one of the REZs required to be declared under the *Electricity Infrastructure Investment Act 2020*, would not be required to:

- apply for access rights to connect to the network¹
- pay an access fee, or
- meet any additional tests of an access control mechanism².

Can my project receive an LTESA if it will connect to new or proposed infrastructure in a REZ where no access scheme has yet been declared?

It is recommended projects seeking to connect to new or proposed infrastructure for a REZ **that does not yet have an access scheme declared** delay their bid until after an access scheme is declared for that REZ. This will include projects seeking to connect to Project EnergyConnect infrastructure in the South West REZ.

This is because a project will need an access right to connect to that infrastructure, which cannot be obtained until an access scheme is declared. To mitigate proponents gaining an unintended advantage, **projects that require an access right and an LTESA for a project must obtain these in a single competitive tender round**. Projects that bid for and are successful in obtaining:

- an LTESA (but not an access right) will be prevented from seeking an access right to connect to new or proposed infrastructure in a later tender round.
- an access right (but not an LTESA) will be prevented from seeking an LTESA in a later tender round.

1. Access rights will commonly be required only for projects connecting to new or proposed infrastructure in a REZ. However, in the event that an access rights regime in an access scheme declaration applies to any existing infrastructure, it is intended projects that receive an LTESA before an access scheme is declared will not be required to later tender for or hold access rights to connect to that infrastructure.

2. An access scheme declaration may include an access control mechanism that can place additional tests on projects connecting to existing infrastructure, within a REZ, including to assess curtailment impacts. It is intended that no additional tests will apply to projects that are successful in receiving an LTESA before an access scheme is declared.

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 20 years.

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 term sheets can be [viewed here](#).

What is included in the competitive tender and assessment process?

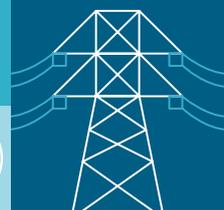
Projects must first meet the eligibility criteria and then be competitively assessed against merit criteria. The eligibility criteria are designed to ensure that only projects at a sufficiently developed stage are assessed for merit.

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.

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.

If my project is outside a REZ can I bid for an LTESA?

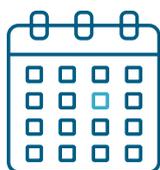
AEMO Services encourages all projects in NSW to participate in competitive tenders. Projects outside declared REZs must show 'outstanding merit'. For further information on 'outstanding merit' [see here](#).



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	
South-West	<u>Draft exhibited</u> : 25 March 2022 Expected: mid-2022*	To be determined
Hunter-Central Coast	Expected: mid-2022*	
Illawarra	Expected: late-2022*	

*Dates may be subject to change



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.



Market Briefing 2022

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

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

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