



Competitive Tender Design

7 February 2022

ASL undertakes continuous consultation with all of our stakeholders. Please subscribe for updates, submit questions and provide feedback at any time: stakeholderengagement@aemoservices.com.au



Acknowledgement of Country

We acknowledge that today we meet on many Aboriginal lands.

We acknowledge the traditional custodians of this land and pay our respects to Elders both past, present, and emerging through thoughtful and collaborative approaches to our work.



Agenda

1. The purpose of today
2. AEMO Services
3. Tender design
4. Merit Criteria
5. Portfolio assessment

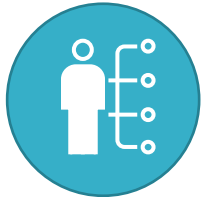


1. The purpose of today

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The purpose of today

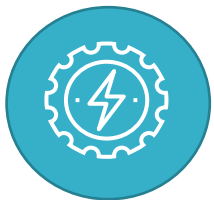
We value your time and contribution. We have three objectives for today's discussion



Outline ASL's commitment to work with you to deliver world's best energy transition in Australia



Help you understand the unique features of ASL's approach to tenders and how this differs from conventional approaches



Provide an overview of the tender merit criteria we will use to evaluate projects

2. AEMO Services

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The NSW Electricity Roadmap

ASL's first appointment is to act as consumer trustee for the NSW Electricity Infrastructure. ASL's role within the Roadmap has pivoted from design to implementation



Appointed entities

- Infrastructure Planner (EnergyCo NSW)
- Consumer Trustee (AEMO Services)
- Energy Security Target Monitor
- Regulators (AER and IPart)
- Renewable Energy Sector Board



Renewable Energy Zones (REZs)

- Central-West Orana REZ declared and EOI launched
- New England REZ declared
- South West ROI released
- Hunter REZ ROI released



Key reports published

- Energy Security Target Monitor report
- Infrastructure Investment Objectives (IIO) report



Consultations on our products

- Long-Term Energy Service Agreements design
- Access right and scheme design

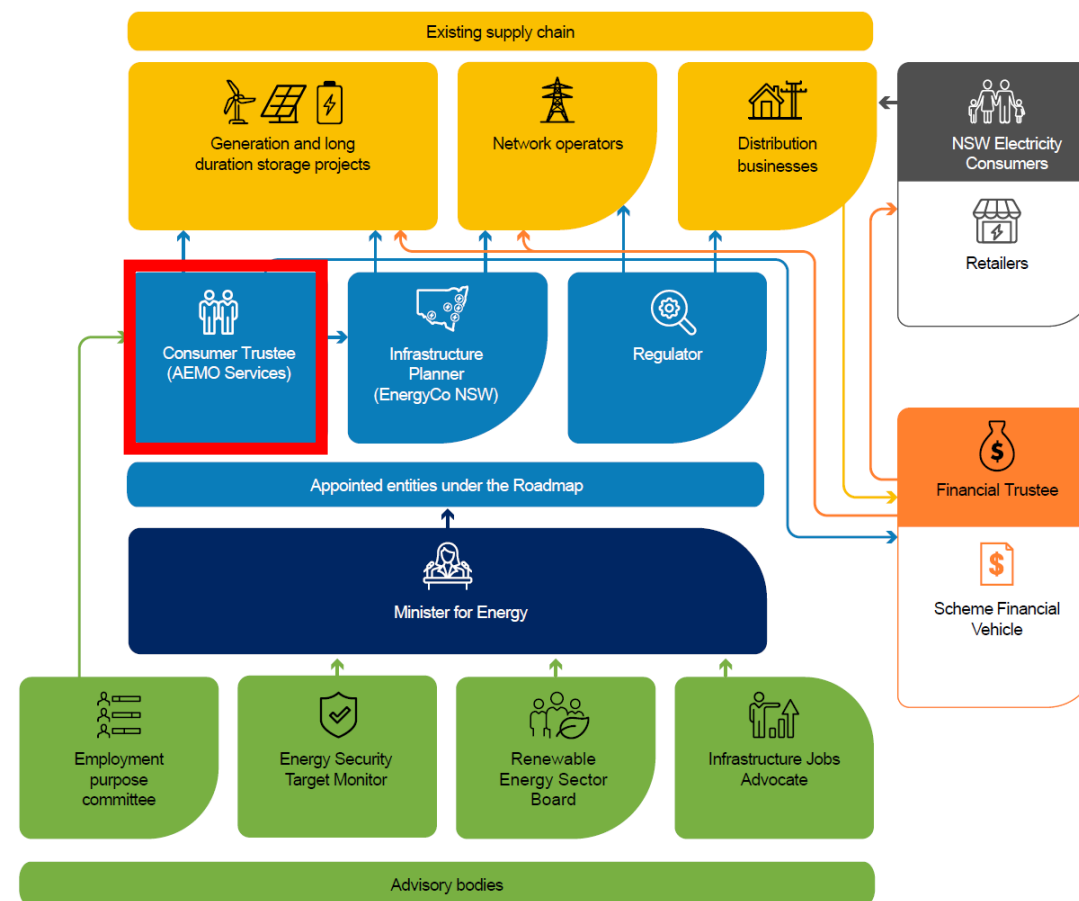


Regulations made

- Clarifies key ambiguities in the legislation (e.g. outstanding merit)
- Provides the mechanics for operating and funding the Roadmap (e.g. SFV, jurisdictional scheme)

AEMO Services and the NSW Electricity Roadmap

- The long-term financial interests of NSW electricity consumers is our primary statutory obligation and is at the core of everything we do.
- Delivering energy infrastructure at lowest cost and risk to NSW electricity consumers, requires ASL to facilitate private sector investment on the best possible terms.
- We will achieve this through transparent tenders and highly accountable and independent decision making.



What we heard from you

- ✓ Transparency in product development and decision making
- ✓ Opportunity to engage before and during tenders
- ✓ Commitment to trade
- ✓ Clarity of process and timelines, minimising costs for participants
- ✓ Clear feedback to proponents to improve future tenders

Successful outcomes for consumers rely on:

- robust product design
- competitive tenders
- trust and integrity



Robust product design



Co-design

- Establish policy objectives
- Develop commercial principles
- Publish design papers
- Undertake public consultation



Test & refine

- Develop term sheets
- Selective consultation
- Publication of term sheets
- Publication of legal documentation



Tender

- Information disclosure
- Strict probity and structured engagement



Critique

- Feedback on products and process to refine before next tender

Long duration storage LTESA

Generation LTESA

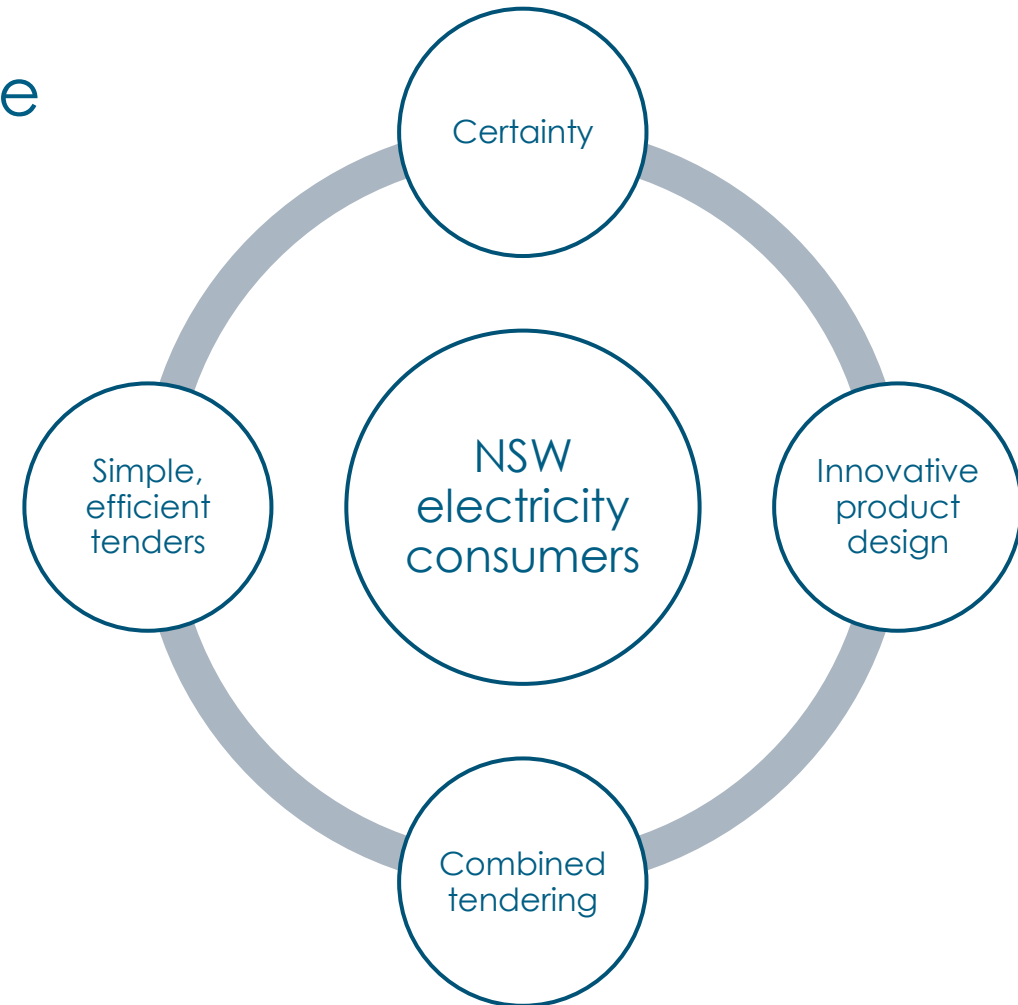
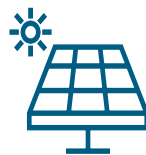
REZ Access
product

Competitive tenders

Creating a predictable competitive environment

Published concise tender guide

Open to continuous feedback



Trust & integrity

We can only deliver for electricity consumers if investors and developers trust the decisions that we make, the plan that we establish, and the integrity with which we implement our plan



The IIO report sets out a pathway for procurement of infrastructure.



The 10-Year Plan sets out indicative targets for AEMO Services, with tenders scheduled to occur every six months.



Starting with a 'pilot' - to enable learning and refinement for the market and AEMO Services.



Robust probity associated with each tender and transparency in decision making

3. Tender design

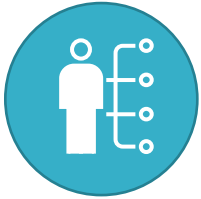
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What is different about ASL tenders

ASL's approach will change a number of existing market conventions. Delivering outcomes for NSW electricity consumers requires trust, transparency and continuous improvement over 10 years of regular tenders

- 1 Multiple sources of information – you should focus on tender guidelines
- 2 Regular tenders – predictable and minimised transaction costs
- 3 Trust and transparency – you will know our objectives, and the reasons for tender outcomes
- 4 Price evaluation– LTESA is new and we will ensure you understand the price evaluation
- 5 Consumer interests – we will clarify reserve prices and terms needed for consumers
- 6 Grid – We will be evaluating each project's impact on existing grid connected projects
- 7 Social licence – First Nations, employment and community outcomes will be robust

Competitive tender process



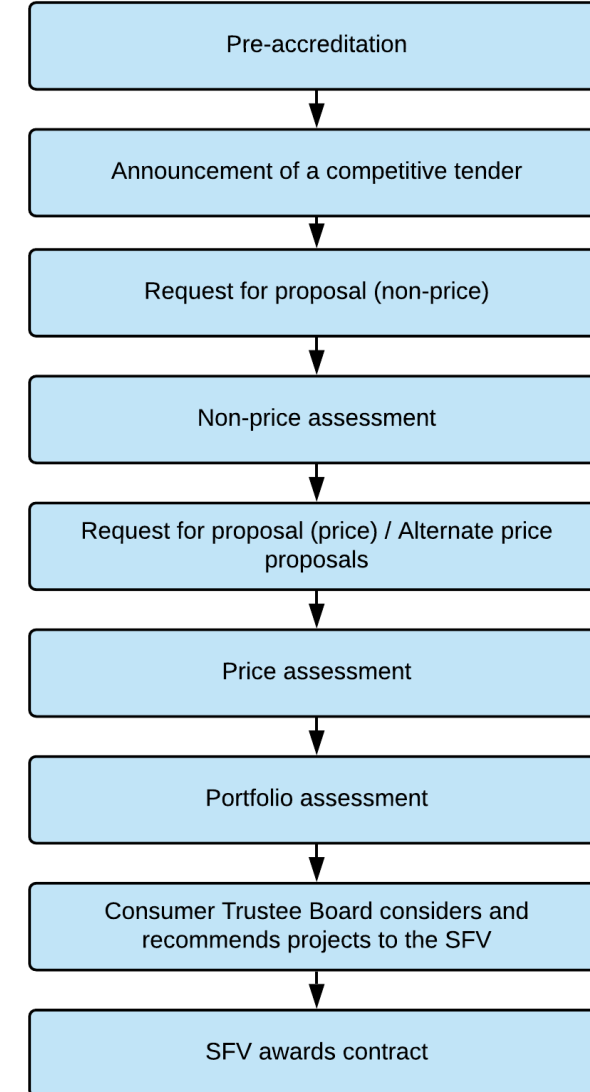
We have attempted to make our process to be simple.



Nine steps consistent across all tenders.



Two products, one process to deliver the best outcomes for consumers and projects.



Q&A

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4. Merit Criteria

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Merit criteria



Non-price assessment
conducted for all
proposals



Shortlist bids progress to
price proposal and
assessment

1. Financial Value

2. Commercial terms

3. Impact on the electricity
system

4. Pathway to commercial
operation

5. Organisational capacity to
deliver project

6. Land use considerations

7. Community engagement
and benefits

8. Regional economic
development

Non-Price Merit Criteria

Merit Criteria 3: Impact on the electricity system

What is assessed?

Local and network capacity constraints

Marginal Loss Factor (MLF)

System strength

What we are looking for

Project connects to a strong area of the network. No capacity constraints or limitations anticipated.

The project area has a low sensitivity to losses from increased local generation, and requires no augmentation.

Connection point has a positive Available Fault Level. Project is expected to strongly increase the system strength.

Merit Criteria 4: Pathway to commercial operation

What is assessed?

Pathway to financing

Pathway to development approvals

Pathway to connection

Construction commencement

Pathway to regulatory investment approval

What we are looking for

Strategy for funding/ongoing financial performance. Demonstrated progress with debt/equity financiers.

NSW planning approval received Cwth environmental approval received.

For non-REZ Projects, the progress made towards obtaining a network connection agreement from the relevant network service provider.

Key contracts progressed (EPC, O&M). Developed schedule, budget, roles and risk management approach.

FIRB approval secured (if required) or a clear pathway to obtaining approval.

Merit Criteria 5: capacity to deliver project

What is assessed?

Proponent capability and capacity to deliver

Industry best practice operation

What we are looking for

Outstanding track record in delivering comparable projects. Qualified and available project delivery partners.

Ability to operate the project in accordance with relevant regulations and standards, and industry best practice.

Merit Criteria 6: Land use considerations

What is assessed?

Land use constraints and opportunities

What we are looking for

Consideration of multi-use opportunities and evidence of adverse impact minimisation.



Merit Criteria 7: Community engagement and benefits

What is assessed?

Community engagement and support

Evidence of community engagement and strategies to foster local support. Including consideration given on how to minimise adverse social impacts and maximise community participation.

Shared benefits

Commitments to deliver benefits to local communities. Community participation in the design on benefit sharing initiatives.

Merit Criteria 8: Regional economic development

What is assessed?

Local goods and services

Local employment/workforce development

Environmentally sustainable procurement

What we are looking for

Consideration given to local supply chain inputs and development opportunities.

Industry and Aboriginal Participation Plan that maximises industry development and First Nations participation.

Evidence of promoting environmentally sustainable procurement throughout the supply chain.

Price Merit Criteria

Merit Criteria 1: Financial Value

What is assessed?

Financial cost

Financial benefit

Financial risk

What we are looking for

Lowest net liabilities to the Scheme Financial Vehicle – on an absolute and relative basis.

High financial benefit to NSW electricity consumers – on an absolute and relative basis.

Low shape and market concentration risks.

Merit Criteria 2: Commercial terms

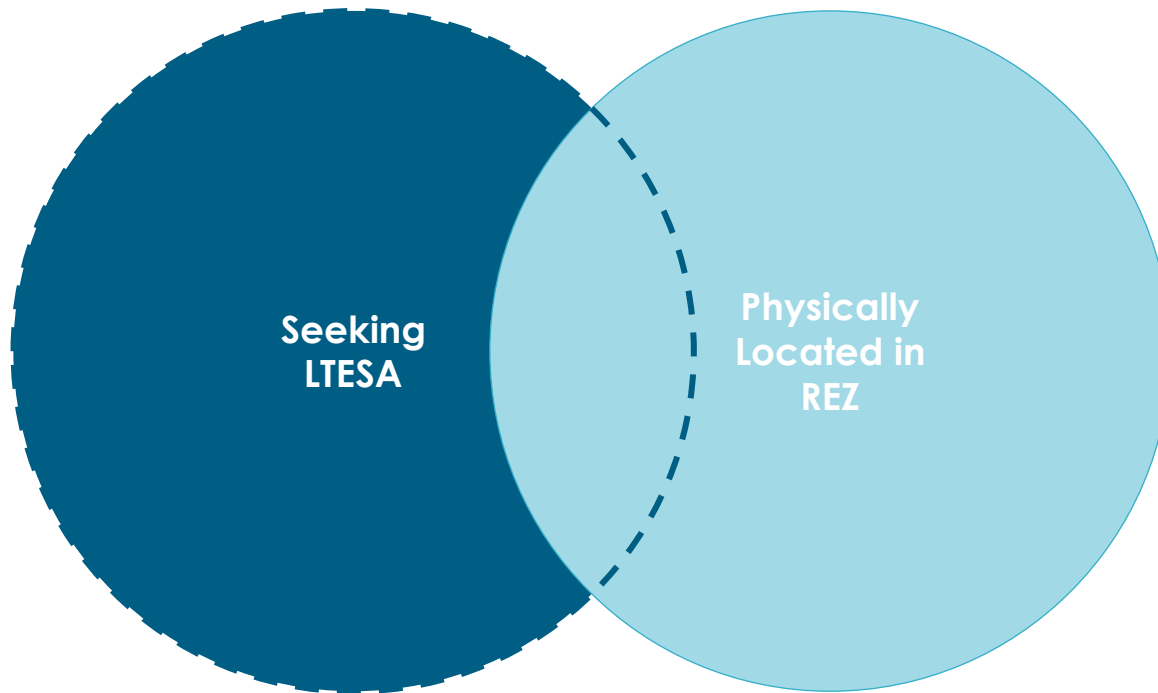
What is assessed?

Contract departures

What we are looking for

Departures have not been proposed or their impact on risk allocation be is assessed as neutral.

Outstanding merit test applied in price assessment



■ Must meet definition of 'outstanding merit'

■ Outstanding merit definition no applicable

- Projects not located within the **geographic bounds** of a declared REZ must demonstrate 'outstanding merit.'
- To be formally defined by NSW Government in regulation.
- Ensures project outside of REZ have equivalent or better:
 - grid outcomes
 - community engagement and benefits
 - financial value.

5. Portfolio assessment

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Addressing cumulative adverse effects

The portfolio assessment provides a safety valve to help prevent unintended, cumulative effects of the merit assessment

Issue	Possible impacts on shortlisted projects
Adverse network effects	Similar geographic location.
Adverse community effects	No planning approvals in similar geographic location.
Supplier concentration risk	Proposing to use the same contractors or original equipment manufacturers.
Counterparty concentration risk	Several projects proposed by the same proponent.
Total Financial Value	Overly concurrent generation decreases financial value to consumers.
Other adverse effects	A material detrimental effect to a higher ranked project.

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