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**THE LEGISLATIVE ASSEMBLY FOR THE
AUSTRALIAN CAPITAL TERRITORY**

Review of the Renewables Auction 5 – Summary Report

**Presented by
Shane Rattenbury MLA
Minister for Water, Energy and Emissions Reduction
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Review of Renewables Auction 5 Summary Report

Australian Capital Territory

Environment, Planning and Sustainable Development Directorate



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ITP Renewables

Office: Level 1, 19-23 Moore St
Turner ACT 2612

Postal: PO Box 6127
O'Connor ACT 2602
Australia

Email: info@itpau.com.au
Phone: +61 (0) 2 6257 3511

itpau.com.au



ABOUT ITP RENEWABLES

ITP Renewables (ITP) is a global leader in renewable energy engineering, strategy, compliance, and energy sector analytics. Our technical and policy expertise spans the breadth of renewable energy, energy storage, energy efficiency and smart integration technologies. Our range of services cover the entire spectrum of the energy sector value chain, from technology assessment and market forecasting right through to project operations, maintenance and quality assurance.

We were established in 2003 and operate out of offices in Canberra (Head Office), Sydney, North Coast NSW, Adelaide and Perth. We are part of the international ITP Energised Group, one of the world's largest, most experienced and respected specialist engineering consultancies focussing on renewable energy, energy efficiency, and carbon markets. The Group has undertaken over 2,000 contracts in energy projects encompassing over 150 countries since it was formed in 1981.

Our regular clients include governments, energy utilities, financial institutions, international development donor agencies, project developers and investors, the R&D community, and private firms.

ABOUT THIS REPORT

ITP Renewables has been engaged by the ACT Government Environment, Planning and Sustainable Development Directorate to undertake a review of Renewables Auction 5. This includes an assessment of auction design and administrative processes, an evaluation against the objectives of the Electricity Feed-in (Large-scale Renewable Energy Generation) Act (2011), an assessment of risk assignment, and recommendations for any future renewables auctions.

ABBREVIATIONS

AC	Alternating Current
ACR	Australian Capital Region
AUD	Australian Dollar
BESS	Battery Energy Storage System
CER	Clean Energy Regulator
CFD	Contract-for-Difference
Cth	Commonwealth Government of Australia
DC	Direct Current
DNSP	Distribution Network Service Provider
DoE	Deed of Entitlement
EPSDD	Environment, Planning and Sustainable Development Directorate
EV	Evaluation criterion
FiT	Large-scale Feed in-Tariff
ITP	IT Power (Australia) Pty Ltd, trading as ITP Renewables
kW	Kilowatt, unit of power
kWh	Kilowatt-hour, unit of energy (1 kW generated/used for 1 hour)
kW _p	Kilowatt-peak, unit of power for PV panels tested at Standard Test Conditions
LGC	Large-scale Generation Certificate
MW	Megawatt, unit of power
MWh	Megawatt-hour, unit of energy
NEM	National Electricity Market (Qld, NSW, Vic, Tas and SA).
PCCM	Proposed Compensation Cap Multiplier
PPA	Power Purchase Agreement
PV	Photovoltaic
RET	Australian Large-scale Renewable Energy Target
RFP	Request for Proposals
TCA	Territory Compensation Arrangement
TNSP	Transmission Network Service Provider
WEC	Wind Equivalent Capacity



TABLE OF CONTENTS

EXECUTIVE SUMMARY	7
1.1 Recommendations.....	8
2 RENEWABLES AUCTION BACKGROUND	10
2.1 Auction Objectives.....	10
2.2 Requirements of Participation	11
2.2.1 Proponent Eligibility Criteria (EL1-5).....	12
2.2.2 Proposal Eligibility Criteria (EL6-12)	12
2.3 Evaluation Criteria	13
2.3.1 EV1: Financial Assessment 65%.....	13
2.3.2 EV2: Delivery Risk 20%.....	13
2.3.3 EV3: Local Community Engagement 7.5%	13
2.3.4 EV4: ACT Industry Engagement 7.5%.....	14
2.4 Auction Process	14
2.5 Renewables Auction 5 Winners	17
3 REVIEW METHODOLOGY.....	19
3.1 Background	19
3.2 Framework	19
4 AUCTION 5 EVALUATION	21
4.1 Value for Money	21
4.1.1 EV1: Financial Assessment.....	21
4.1.2 EV2: Delivery Risk.....	21
4.1.3 EV3: Local Community Engagement	22
4.1.4 EV4: ACT Industry Engagement	22
4.2 Auction Efficiency and Effectiveness	24
4.2.1 Auction Outcomes	24
4.2.2 Auction Design and Administration Process	26

4.3 Risk Assignment Assessment.....	28
4.3.1 Project development and surrender of FiT entitlements.....	28
4.3.2 Repeal or amendment of the Act	29
4.3.3 Currency risk	29
4.3.4 Spot price	29
4.4 Fulfillment of the Act	30
5 CONCLUSIONS AND RECOMMENDATIONS	32
5.1 Summary of conclusions.....	32
5.2 Recommendations.....	33

EXECUTIVE SUMMARY

The ACT Government, through the Environment, Planning and Sustainable Development Directorate (EPSDD), has commissioned this review of Renewables Auction 5. The provisions for auction were established by the *Electricity Feed-in (Large-scale Renewable Energy Generation) Act 2011*, (the Act), and contribute to maintaining the ACT's 100% renewable electricity goal.

The auction process, which commenced on 15 November 2019, sought 200 MW of wind or equivalent solar or other renewable generation. Proposals were due by 7 February 2020 and the successful bidders, announced on 8 September 2020, were:

- The South Australia-based 100 MW Goyder Wind Farm project proposed by Neoen Australia.
- The Victoria-based 100 MW Berrybank 2 Wind Farm project proposed by Global Power Generation.

ITP undertook the review of the Renewables Auction 5 which included desktop analysis of documentation and stakeholder interviews. An overview of the main findings is provided in the following table:

Value-for-money	<p>Value for money was demonstrated because the FIT prices achieved (\$44.97/MWh 14-year and \$54.48/MWh 10-year) were reported as the lowest achieved in the NEM at the time.</p> <p>The level of industry participation and engagement led to strong competition.</p> <p>By allowing both wind and solar to compete, the auction resulted in additional competition.</p> <p>The successful proposals scored highly on all evaluation criteria. Other high merit proposals were available if the successful proposals did not proceed.</p> <p>The large-scale battery component of the auction did not achieve maximum value-for-money due to the limited timeframe available for preparing complex battery proposals which required land and high-voltage grid-connection feasibility as well as analysis of potential revenue stream forecasts.</p>
Effectiveness of administration	<p>The administration of the auction was assessed as being effective and efficient.</p> <p>This is the fifth auction and EPSDD has developed a range of appropriate processes to streamline the delivery and ensure timelines are met.</p>

Effectiveness of process	<p>The auction process is well understood by stakeholders which assists with the efficiency of its delivery.</p> <p>Some minor suggestions for improvements were made by proponents to reduce the resourcing required to participate in a bid.</p>
Risk allocation	<p>The risk allocation is considered to be appropriate.</p> <p>The removal of the Territory Compensation Arrangement (TCA) was reported as making obtaining debt more difficult. Bids may have been lower if the TCA was available without penalising a bid's chances.</p>
Probity	<p>No probity concerns were raised in stakeholder interviews.</p> <p>The auction process was generally praised for its transparency.</p>

1.1 Recommendations

The recommendations from the review are as follows:

1. Territory Compensation Arrangement weighting

Careful consideration should be given to the evaluation weighting of the TCA. While in Renewables Auction 5 the TCA was presented as an option, many of the proponents interviewed indicated that they dismissed it as viable proposition, because electing to use it would have a significant negative effect on their score. Compared to earlier Auction rounds, this has shifted the risk from the ACT Government to the proponent with the outcome that the FiT proposed rates, while remarkably low, may have been higher than could have been achieved with a TCA.

If there is to be another auction, noting that this may be some years in the future, the ACT could survey potential bidders and financiers about their perceptions about the degree of sovereign risk. Based on our consultation, we believe it is likely that the market is currently rating the risk higher than the ACT Government realises.

2. Battery project siting

If a future auction similarly required bidders to put forward battery or other energy infrastructure projects in the ACT, consideration should be given to collaborating with the relevant DNSP or TNSP to pre-identify sites, connection options and operational requirements. The objective would be to ensure, or increase the likelihood of, the battery storage projects being developed in a network location where they would be most beneficial. Such a step could help focus the competition, encouraging bidders to compete to build more, larger, better batteries. It would also make life easier for Evoenergy, who otherwise has to deal with a multitude of different proposals from different developers.

If there was a concern that pre-identifying a limited number of sites may reduce bidder innovation, then the pre-identified sites could be offered as an option rather than a requirement.

Consideration could also be given to proponents placing their batteries outside the ACT, e.g. co-located with renewable generation, if the benefit from a lower FiT rate is greater than the benefit of placing a battery within the ACT.

3. Mitigate risk by increasing diversification on contracted parties

Over several auction rounds, a few firms have won several projects, creating a contractor concentration issue. The risk is that if these entities get into financial difficulty, several projects may be impacted. While it would be inappropriate to introduce a mechanism to dissuade or penalise bidders simply because they have been successful in the past, it should equally be recognised that diversification is in the ACT Government's interest. Further, it needs to be recognised that past winners have some advantages, including for example that their physical presence in the ACT helps them to score well on ACT industry support evaluation criteria. In future rounds, consideration could be given to more clearly explaining what good industry and community engagement represents, especially to guide new or relatively inexperienced proponents.

Hedge price risk by targeting projects in NSW

NSW based projects have the advantage that if NSW spot prices fall to below the FiT rate for extended periods, while the cost of FiT payments would increase, the underlying cost of electricity in the ACT would also fall because it is related to the NSW spot price. This creates a price hedge.

About three quarters of renewable energy generated by projects supported by all of the auction round winners (including Renewables Auction 5) will be in South Australia and Victoria. While there were good reasons for this, it has created a situation where low spot prices in those regions increase the scheme cost to ACT electricity consumers, while relatively high spot prices in NSW means that ACT electricity consumers do not benefit from these low spot prices.

4. Streamline any future dynamic rebidding process

The newly introduced dynamic rebidding process was successful, but adjustments should be considered to reduce the administrative burden for bidders. Improvements could include a system to allow acceptance of a pre-approved single authorised signature, and slowing the turn-around time with a view to accommodating overseas bidders where the senior management and company boards are operating in non-overlapping time zones.

2 RENEWABLES AUCTION BACKGROUND

The ACT Government established the Large-scale Feed-in Tariff Scheme (scheme) by the *Electricity Feed-in (Large-scale Renewable Energy Generation) Act 2011* (the Act). The Act provides the Minister for Climate Change and Sustainability (the Minister) with the power to grant feed-in tariff (FiT) entitlements and requires the ACT electricity distributor to pay FiT Support Payments to holders of FiT Entitlements.

The objectives of the Act are to:

- (a) *promote the establishment of large-scale facilities for the generation of electricity from a range of renewable energy sources in the Australian capital region and other places*
- (b) *promote the development of the renewable energy generation industry in the ACT and Australia consistent with the development of a national electricity market*
- (c) *reduce the ACT's contribution to greenhouse gas emissions and help achieve targets to reduce the ACT's greenhouse gas emissions*
- (d) *address the need for urgent action to be taken to reduce reliance on non-renewable energy sources while minimising the cost to electricity consumers.*

Related legislation includes the *Climate Change and Greenhouse Gas Reduction Act 2010*, which the ACT Government recently amended to require an ongoing 100 per cent renewable electricity supply in 2020 and following years. This ongoing target requires additional renewable electricity supply, to match forecast demand growth and factor in the future expiry of existing contracts. Load is expected to grow due to population increases, economic expansion and the transition to electricity for natural gas and transportation energy usage.

2.1 Auction Objectives

On 8 November 2019, the Minister determined that up to 250 MW of the scheme capacity would be made available through a competitive process for large-scale Renewable Energy Generation Capacity, to be located either in the Australian Capital Region (ACR) or, if a Proposal for a generating system satisfies certain additional threshold criteria (as per section 11(1)(b) of the Act), located elsewhere in a Participating Jurisdiction.

For this up to 250 MW capacity release it was established that:

- The grant of FiT Entitlements will be allocated by a competitive process, (the auction);
- The capacity release would be open to Large Renewable Energy Generation - being wind or solar or an energy source declared by the Minister for Climate Change and Sustainability to be a renewable energy source;
- The term of FiT Entitlements is 10 or 14 years;

- A generating system must be located in the ACR or, provided certain additional criteria are met, located elsewhere within a Participating Jurisdiction (which covers the non-ACT part of the National Electricity Market);
- The minimum wind equivalent generating capacity of a generating system must be at least 20 MW;
- Capacity will be awarded based on the ACT Government's expectations of expected output from the generation type. Grants will be provided for up to 200 MW of 'wind equivalent capacity' (WEC) (i.e. capacity that generates the same output as 200 MW of wind generating capacity). Compliance with auction requirements and consideration of evaluation criteria will be assessed with respect to the wind equivalent capacity a generator is granted a FiT for;
- 1 MW of flat panel solar PV is considered to be 0.8 MW of WEC, regardless of any type of tracking technology; and
- Alternative renewable electricity generation types will have a WEC assigned by the ACT Government based on their expected capacity factors.

Comments on Renewables Auction 5 Objectives

While the WEC concept is relatively easy to comprehend, the explanation could be improved with some refinements. For example, 'capacity that generates the same output' could be interpreted as 'annual generation MWh' or 'rated power MW'. The choice of '0.8 MW of WEC' for solar PV implies it may be rated power or single-axis tracking PV with a high capacity factor. Clarity on this issue would minimise the potential for confusion.

The '1 MW of flat panel solar' implies it is the DC panel rating not the AC inverter rating that is critical. Given the trend of increasing DC:AC ratios, it would be worthwhile to clearly document this by specifying that it is the MW_p or DC rating of the panels that is critical. Treating single-axis tracking solar the same as fixed solar may not be optimal and this could be reviewed before any future auctions. In addition, different wind turbines can have their maximum power rating at different wind speeds. The focus on power rating may slightly advantage some technologies and products over others. Forecast first-year generation, may be a better metric, though it is acknowledged that this requires independent verification of proponents' resource assessments and generation forecasts. Lenders and investors often focus on P90 generation forecasts when considering renewable energy proposals.

2.2 Requirements of Participation

Proponents were required to provide evidence they satisfied a series of eligibility criteria in order to be eligible for a grant of entitlement, as detailed in the *Australian Capital Territory Renewables Auction 5 Request for Proposals*.

2.2.1 Proponent Eligibility Criteria (EL1-5)

EL1: A Proponent must be a non-tax exempt Australian company incorporated under the Corporations Act 2001 (Cth) or a wholly or majority owned Commonwealth or Australian state or territory government body.

EL2: Proposals will only be accepted from a single legal entity.

EL3: A Proponent must not be insolvent, or during the auction process, become subject to an Insolvency Event.

EL4: A Proponent must not have had a judicial decision relating to employee entitlements made against it (not including decisions under appeal) and not have paid the claim.

EL5: A Proponent must not have been named as an organisation that has not complied with the Workplace Gender Equality Act 2012 (Cth).

2.2.2 Proposal Eligibility Criteria (EL6-12)

EL6: A Proponent must submit a completed Proposal Form and all required attachments by the specified closing date and time.

EL7: Proposals must be for a Renewable Electricity Generator.

EL8: Proposals must be for the establishment of a single generating system that has no less than 20 MW wind equivalent capacity and no more than 100 MW FiT supported wind equivalent capacity as determined at its point of connection to the interconnected national electricity system.

EL9: Generating systems must be connected to the interconnected national electricity system (as defined in the Act).

EL10: Proposals must be for a new (yet to be constructed) generating system.

EL11: Proposals must make a \$83,000 per MW of Wind Equivalent Capacity (WEC) industry development contribution for a FiT price based on a 10 year FiT Entitlement period and \$116,000 per MW WEC for a FiT price based on a 14 year FiT Entitlement period.

EL12: Proposals must make a commitment to deliver 100 kW/200 kWh of grid connected battery storage located in the ACT per MW WEC of their FiT supported generator.

Comments on Eligibility Criteria

EL12 requires a 100 MW wind farm proposal to commit to delivering at least a 10MW/20MWh battery in the ACT. To fully develop and cost a mature battery proposal of this scale is likely to take longer than the bidding period of 12 weeks. Having the bidding period over the traditional holiday season also compressed the time available for battery proposal development.

Territory Compensation Arrangement (TCA)

In previous auctions, proponents would be compensated if the Act was repealed or amended such that they no longer received their FiT Entitlement. The mechanism for this was the TCA. The TCA documents the methodology for calculating the amount of compensation to be provided to the proponent.

The design of Renewables Auction 5 encouraged proponents to cost their debt without a TCA, though also allowed bids that requested a TCA. The final result that neither of the awarded agreements included a TCA could be interpreted that a TCA is not required. However, proponents may have been able to access better debt terms if a TCA was included in the FiT contract.

2.3 Evaluation Criteria

Proposals were recommended for a grant of entitlement based on four evaluation criteria (EV1-4), as detailed in the *Australian Capital Territory Renewables Auction 5 Request for Proposals*.

2.3.1 EV1: Financial Assessment 65%

A financial assessment of each proposal formed a significant basis of the evaluation.

Proponents were required to provide a financial model, so the basis of their bid could be examined. The EV1 score was based on the relative distance of each requested FiT from the lowest proposed FiT.

Proponents could include a request for a Territory Compensation Arrangement (TCA) in their bids in order to provide additional assurance to banks and credit providers due to the legislated nature of the FiT Entitlement. However, a score reduction of 15% for EV1 was applied to proposals that requested the maximum TCA available, with linear apportioning for those that requested smaller TCAs.

2.3.2 EV2: Delivery Risk 20%

The ACT Government has a strong interest in granting entitlements only to proposals that are at an advanced stage of preparation and have low completion risks. Projects were considered favourably under this criterion if they demonstrated effective mitigation of risks to project completion or if the proponent has a demonstrated track record of effective risk management for projects of commensurate scope and complexity. Evaluation against this criterion included proponent project timeframes, capability and experience and understanding of the legal and regulatory environment, project access to funds, technology/construction risks and the state of the development approval.

2.3.3 EV3: Local Community Engagement 7.5%

The ACT Government has a direct interest in promoting good community engagement processes and outcomes for projects participating. Proponents were required to provide a detailed community engagement plan. Proposals were evaluated based on this plan, with the

resulting score also informed by the existing levels of community engagement and management of current community concerns.

2.3.4 EV4: ACT Industry Engagement 7.5%

Proponents were required to demonstrate how their proposals and businesses will engage with the ACT renewable energy industry in order to contribute to the following priorities:

- a) Delivering enduring benefits to local businesses through the inclusion of regional contractors and labour force;
- b) Building Canberra's capacity as a national tertiary education and trades' skills hub;
- c) Stimulating productive research partnerships that will develop the capacity and global recognition of the ACT's tertiary institutions; and
- d) Growing the local corporate footprint of national and international businesses.

Most of the financial contribution expected to be made in order to achieve this was derived from EL11.

2.4 Auction Process

Renewable Electricity Generator developers were invited to participate in the auction that was undertaken in accordance with the Request for Proposals (RFP).

Proponents considering submitting a proposal that included a source not currently a recognised renewable energy source could propose to the Minister, through the Renewables Auction 5 Secretariat, the eligibility of another renewable energy source in the auction. This included solar thermal, hydro, wave and geothermal generating systems under the Electricity Feed-in (Large-scale Renewable Energy Generation) Act 2011.

The Minister for Climate Change and Sustainability made, in accordance with the RFP and having regard to the recommendations of the Panel and in accordance with the Act, the final decision regarding the grant of FiT Entitlements.

Figure 1 shows the key governance structure for decision-making in Renewables Auction 5.

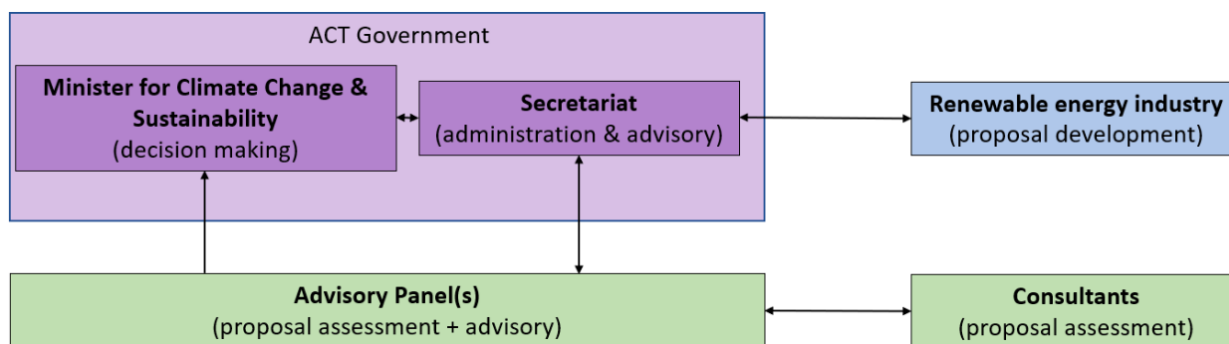


Figure 1: Key governance structure for Renewables Auction 5

In forming a decision, the Minister was informed by the recommendations of an Advisory Panel. Sub-panels would provide specialist advice to the Advisory Panel. Consultants could be used to undertake due-diligence assessments of proposals, analysis of financial models, and verification of claims by proponents against Eligibility and Evaluation Criteria.

The auction was supported by a Secretariat to provide a point of contact with proponents as well as administrative support and a range of functions related to the evaluation of proposals.

A stage-gate approach for evaluation was used, made of the following stages:

- a) *Proposals acceptance* – Proposals that are submitted on time and satisfy basic completeness checks (as per the Proposal Eligibility Criteria) will proceed to a full eligibility assessment.
- b) *Eligibility assessment* – Proposals are assessed against Proponent and Proposal Eligibility Criteria during the proposal submission and rebidding stages of the auction. Proposals that are deemed ineligible against one or more of these criteria will not be considered further and will exit the auction process including the rebidding stage.
- c) *Bid-stack shortlisting* – All Proposals that were deemed eligible through the *Eligibility assessment* stage are ranked by FiT price from lowest price to highest and shortlisted on the basis of this ranking for further consideration after completion of the rebidding stage of the auction. Depending on the number of Proposals received, either all Proposals in the bid stack, or only the lowest priced Proposals in the bid-stack, will be further assessed. The number of Proposals proceeding to further assessment will be at the discretion of the Advisory Panel and may be revisited at any stage of the process. The purpose of this stage is to mitigate the potentially excessive costs to the Territory of assessing Proposals and to avoid delays in undertaking evaluation of Proposals in the event that a large number of Proposals are received.
- d) *EV4 evaluation* – All Proposals that are shortlisted will be evaluated against EV4 after the rebidding stage of the auction. This evaluation will be done in parallel with the *EV1, 2 and 3 evaluation* in order to streamline the process. Shortlisted non-ACR Proposals that do not satisfy 11(1)(b)(i) of the Act – which requires that non-ACR Proposals offer exceptional

economic development benefits to ACT renewable energy industries – will exit the process based on the results of this *EV 4 evaluation*.

- e) *EV1, 2 and 3 evaluation*– All Proposals that are shortlisted will be evaluated against Evaluation Criteria EV1, 2 and 3. While, by default under the provisions above, the full evaluation of Proposals at this stage will be limited to those that were shortlisted through the bid-stack shortlisting process, should the Advisory Panel form the view that further Proposals should be shortlisted, it may call bids through in rank order of their FiT price Proposals from lowest to highest. The flexibility to call additional bids through from the previous stage is provided to ensure that the bid-stacking process does not undermine the auction by shortlisting projects that have low FiT prices but are otherwise of low quality. Although this evaluation provides the basis, assignment of scores against EV1,2 and 3 for Proposals will take place during the *Value for money assessment* stage.
- f) *Value for money assessment* – At this stage, scores will be assigned to Proposals by the Advisory Panel based on the results EV1,2, 3 and 4 evaluations. A Value for money assessment will be made by combining scores against all Evaluation Criteria and weighting them, including each Proposal’s FiT price, to generate an overall Proposal score. Non-ACR Proposals that do not satisfy 11(1)(b)(i) of the Act, based on the results of *EV4 evaluation*, will exit the process during this stage.
- g) *Sign Deed of Entitlement* – Favoured Proposals will be provided with a draft for finalisation and execution at this stage. The draft DoE may contain additional specific clauses and/or conditions to address individual Proposal deficiencies.

This approach is illustrated in Figure 2.

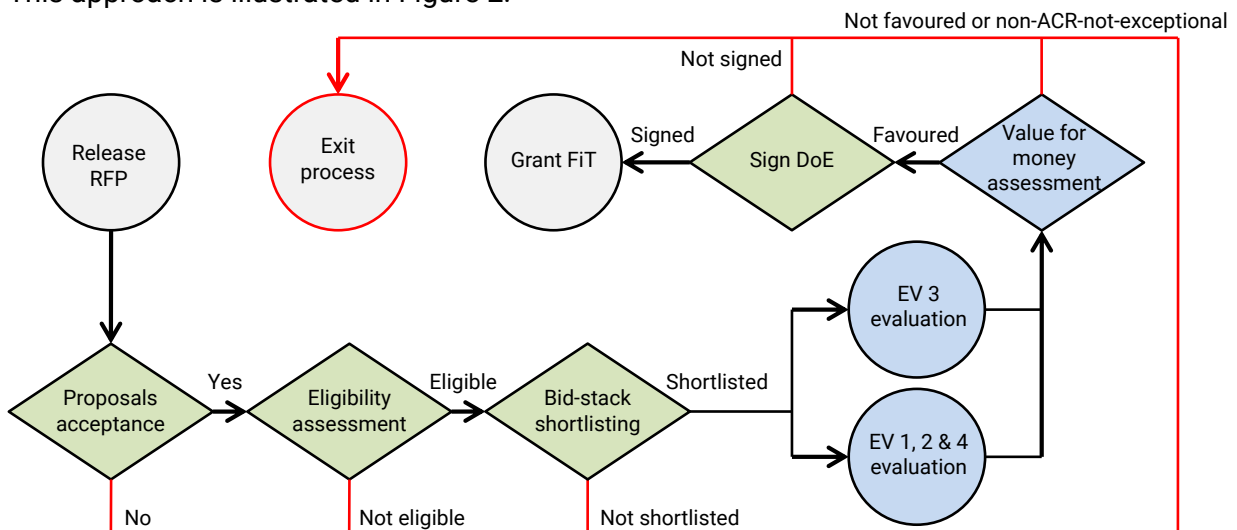


Figure 2: Proposal evaluation process for Renewables Auction 5

Dynamic Rebidding

The RFP was released on 15 November 2019 and proponents had to submit their full proposal, 12 weeks later, by 7 February 2020. After which the auction was closed to new bidders and existing bidders were not able to amend any aspect of their bids, except for a reduction in FiT price, as per the dynamic rebidding process. The RFP estimated an announcement on the outcome of the assessment in May 2020. However, successful projects were announced on 8 September 2020.

FiT prices of all the proposals were published at the closure of proposal acceptance, along with generation type, capacity, and the state or territory in which the generator was to be built. No other information was published. The Government excluded any bids that did not meet the eligibility criteria from this process.

A minimum improvement to bids was enforced, starting at \$0.25 per MWh, with any changes to this limit communicated to proponents within one business day. Updates to bids were provided to all proponents via email by 11 am each business day, detailing changes to bids made by 5pm the previous day.

The Government chose to end the rebidding process when no further significant improvements to the bids were anticipated, giving 48 hours' notice of this to the proponents.

2.5 Renewables Auction 5 Winners

Goyder South Stage 1 Wind Farm - Neoen

The South Australia-based 100 MW Goyder Wind Farm project proposed by Neoen Australia was assessed as high merit across all evaluation criteria.

The Goyder Wind Farm project is anticipated to be the first stage of a much larger renewable energy zone in South Australia, situated in close proximity to the planned NSW-SA interconnector.

Neoen was granted a 14-year entitlement at a feed-in tariff price of \$44.97/MWh, which represented the lowest FiT price received from the shortlisted proponents.

Berrybank 2 Wind Farm - GPG

The Victoria-based 100 MW Berrybank 2 Wind Farm project proposed by Global Power Generation was assessed as high merit across all evaluation criteria, offering a highly competitive FiT price, low delivery risk and well considered industry and community engagement plans.

The Berrybank 2 Wind Farm proposal was considered an exemplar project in addressing financial and technical risks and has proposed outstanding local community engagement and ACT industry development plans.

Global Power Generation (GPG) was granted a 10 year entitlement for the energy equivalent to 100 MW capacity at a feed-in tariff price of \$54.48/MWh. GPG's media release indicates that Berrybank Stage 2 will be built as a 107 MW wind farm.

Projects outside the Australian Capital Region

Under the RFP, proposals for generating systems that were not wholly located inside the ACR would only be eligible to be considered for the award of a grant of FiT Entitlement if the Minister was satisfied that the proposal met the following conditions (see section 11(1)(b) of the Act):

The proposal offers exceptional economic development benefits to ACT renewable energy industries and costs to electricity consumers are minimised.

Value for Money Assessment

Value for money was to be determined through a comparison of each proponent's overall assessed performance against all stated Evaluation Criteria. The assessment score comparison should not take into account the renewable energy source of different proposals.

The value for money assessment approach means that successful proposals may not be those with the lowest FiT price.

3 REVIEW METHODOLOGY

3.1 Background

A desktop assessment of background documents provided by the Environment, Planning and Sustainable Development Directorate (EPSDD) was undertaken. These documents related to the design and delivery of the Renewables Auction 5, as well as earlier auction rounds for comparison purposes.

This background information was utilised to develop a set of questions and discussion topics for interviews with a range of stakeholders. ITP interviews included Auction Secretariat members, Advisory Panel members, Evoenergy and a range of successful and unsuccessful participants in the auction.

3.2 Framework

The information collected from the background documents and interviews was assessed across four main areas, specifically whether:

- i) The 'value for money' outcome has been attained for ACT electricity consumers. This includes assessments of the:
 - FiT price obtained.
 - Level of industry participation and quality of proposals.
 - Four evaluation criteria including the additional benefits from the ACT Industry Engagement aspects of the Auction.
- ii) The process was conducted in an efficient and effective manner by the ACT Government. This includes assessments of the:
 - Resourcing for the administration of the auction as well as the expected and actual timeline for its completion.
 - Quality of information provided by the ACT Government.
 - Proponents' views of the process and its transparency.
 - Administration and governance process and their effectiveness.
- iii) The assignment of risk between project proponents and the ACT Government appropriately balanced the objectives of the Government and the bidders needs. This includes assessments of the:
 - Management of process, delivery and contract risks by the ACT Government.
 - Proponents views on the risk allocations.

- The extent to which the allocation of risk has changed compared to previous auction rounds.
- iv) The objectives of the Electricity Feed-in (Large-scale Renewable Energy Generation) Act (2011) have been successfully met. This includes assessment against the four objectives of the Act:
- promote the establishment of large-scale facilities for the generation of electricity from a range of renewable energy sources in the Australian capital region and other places;
 - promote the development of the renewable energy generation industry in the ACT and Australia consistent with the development of a national electricity market;
 - reduce the ACT's contribution to greenhouse gas emissions and help achieve targets to reduce the ACT's greenhouse gas emissions; and
 - address the need for urgent action to be taken to reduce reliance on non-renewable energy sources while minimising the cost to electricity consumers.

4 AUCTION 5 EVALUATION

The results of the evaluation are summarised in the following section.

4.1 Value for Money

A key desired outcome of the auction was delivery of 'value for money' for the ACT taxpayer. This has been assessed against each of the evaluation criteria, with reference to the question: *Has a value for money outcome being attained?*

4.1.1 EV1: Financial Assessment

All stakeholders interviewed expressed the view that excellent value for money was delivered through the final FiT prices, which were publicised as record low prices for renewable generation in the NEM. They also represent a significant continued reduction in FiT prices achieved through the auction process. This auction achieved final FiT prices of \$44.97 / MWh (14 years) and \$54.48 / MWh (10 years) compared to \$73.00 (20 years) and \$86.60 (20 years) in 2016. Ignoring the different contract lengths, that is a 38% reduction for the simple average.

Stakeholders indicated the bidding process resulted in proponents offering their best bid. Given the wide range of developers represented in the auction process, the prices achieved were likely to be the best available in the NEM at the time. Thus, ITP believes that the auction succeeded in delivering value for money, measured as low renewable generation FiT prices.

The requirement to include battery storage impacted the overall value for money. It was difficult for mature battery proposals to be developed in the timeframe available and stakeholders indicated that better value battery proposals could have been produced through closer and earlier consultation with the network service providers. The limitations of this aspect of the auction design are discussed in detail in Section 4.2.2. The final, long term value provided by the battery projects is difficult to forecast. However, it is apparent that higher value outcomes could have been produced if the bid period was longer to undertake more detailed optimisation of battery siting, capacities and grid-connection requirements.

4.1.2 EV2: Delivery Risk

Delivery risk is an important factor that contributes to achieving value for money, as failure of proponents to deliver the project would produce delays to the sourcing of energy through the Act and necessitate the formation of a new agreement with a different proponent.

All delivery risks are difficult to assess as exchange rates, network marginal loss factors as well as debt and equity markets fluctuate. Assessments of each bid focused on project maturity and proponent capability, from both financial and technical perspectives. It is important to note that there are several key project development steps which have significant delivery risks, and failure

to progress through any of these steps may result in non-delivery. Feedback indicated that the reviewers' visibility of project progression through these stages was often not fully documented.

As an example, some proponents did not clearly state how progressed their project was through the multi-stage, grid connection process. Without clear information from proponents on these development steps, the accuracy of the assessment was reduced. This highlights the importance of selecting proponents with a proven track record of successful project delivery. Although favouring incumbents may clash with the objective of building the renewable energy industry in the ACT, it ensures that selected bidders have the experience necessary to overcome project development obstacles.

It is also the case that delivery risk rises as FiT bids fall, because the lower the FiT, the greater the chance that a project will fail to reach financial close. As the winning bids have not yet constructed their projects, delivery risk still stands. Nonetheless, based on the fact that the two successful bidders have significant project experience in the NEM, ITP's assessment is that delivery risk has been successfully minimised through their selection.

4.1.3 EV3: Local Community Engagement

Effective community engagement, particularly for wind projects, represents a significant undertaking. The successful auction bidders have both previously built projects, and their community engagement processes were assessed as well developed. This was observed in the scores achieved by these proponents in this criterion. However, a wide band of scores were observed when all proposals are taken into consideration, with some failing to meet community engagement minimum requirements.

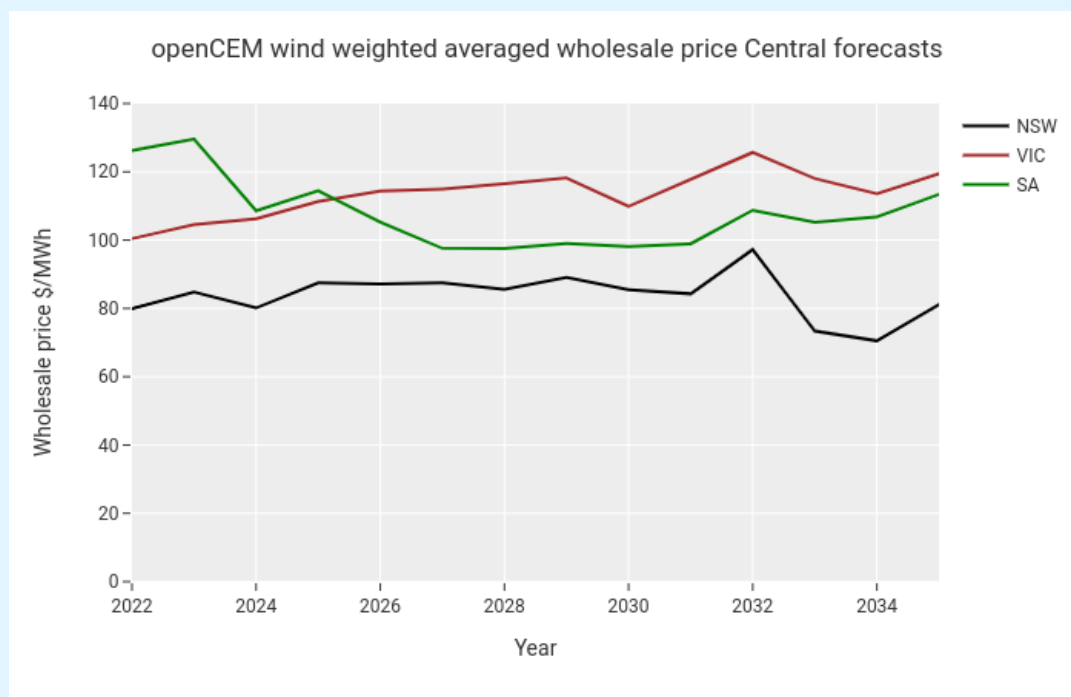
Community engagement represented a relatively small (7.5%) component of the overall assessment, raising the risk of a project being selected which delivered poor community engagement outcomes. However, although there was no minimum score required, the winner was ultimately selected by the Minister, who has the option of rejecting a project on the basis of a poor community engagement plan.

4.1.4 EV4: ACT Industry Engagement

Stakeholder comments highlighted an evolution in the delivery of this criterion to ensure value for money outcomes are achieved. Industry engagement paths have moved away from large projects and towards investments in the Renewable Energy Innovation Fund and research or educational partnerships. Clearly this occurred because of the experience with industry engagement in previous rounds, with such contributions more likely to successfully deliver value to the ACT. Proponents also indicated that this criterion had been successful in the creation of offices in the ACT. These approaches have evolved to be more targeted, collaborative, and measurable. They will likely provide high value for money on this basis.

Future Prices

ITP used openCEM¹, our open-source capacity expansion model of the National Electricity Market, to forecast wholesale electricity price trends in NSW, South Australia and Victoria out to 2035.



The graph displays the NEM regions' average yearly least-cost wholesale price in \$/MWh weighted in proportion to hourly wind generation in each state. These consist of total system running costs but do not include market forces such as strategic bidding behaviour. Nonetheless, noting that the model solves for least cost, these modelled average yearly system costs under perfect market competition tend to reflect a lower bound on market spot prices.

The scenario modelled is based on the AEMO's 2020 Integrated System Plan 'Central Scenario'. The main conclusion to be drawn is that wholesale prices are projected to remain steady over the next 15-years, in real terms, at prices that are high enough to keep FiT payments low on average. It is important to note this analysis is conservative as the ACT FiT's are fixed for the contract duration, i.e. no annual indexing to account for inflation. An annual inflation of just 2% takes \$75/MWh to almost \$100/MWh over 15 years.

It is also important to note that the next 15 years are likely to be characterised by significant change and transition. For example, new Federal or State government policies may be introduced to reduce greenhouse emissions, and existing fossil fuel generators may retire or fail earlier than expected (both creating upward pressure on prices), and technology breakthroughs may emerge (creating downward pressure on prices). Changes in electricity prices create winners and losers. These effects can be different across the NEM regions due to the limited cross-border transmission capacities and other factors. Decreases in spot prices are generally seen as positive for the economy. However, if the projection for long-term trend relatively steady spot prices proves correct, scheme costs to ACT electricity consumers should remain low on average.

4.2 Auction Efficiency and Effectiveness

The efficiency and effectiveness of the auction itself is a key criterion under this review.

Maximising efficiency and effectiveness ensures that administrative workload is minimised and that optimal outcomes are delivered by the auction. This has been evaluated based on a review of the auction outcomes and the auction design and administration process.

4.2.1 Auction Outcomes

Stimulating Industry Participation

The consensus of stakeholders interviewed was that the ACT Government offered attractive terms and a reputation for delivery for this auction, and together these attracted more bids than in the previous auction.

The increase in bids since the 2016 ACT renewables auction is shown in Table 1.

Year	2012/13	2014	2015	2016	2019
Auction	40 MW Large-scale Solar Auctions (two rounds)	200 MW Wind Auction	200 MW Wind Auction	200 MW Next Generation Renewables Auction	200 MW WEC Renewables Auction 5
Number of proposals	49	18	15	12	15
Number of winners	3	3	2	2	2

Table 1: Number of bids in Renewables Auctions in the ACT

Stakeholders indicated that the workshops held for applicants to Renewables Auction 5 were useful for collaboration and knowledge sharing between industry proponents. These workshops, particularly those focussed on the battery developments, built capability in the industry for the types of energy storage projects that would suit the ACT.

Out-of-state proponents felt that the requirement to attend the workshops in-person was restrictive, as it required a long commute for a relatively short event. It was suggested that the workshops could have been held in-person with a remote option available, as well as video recordings of the events. It was also noted that capability and interest in remotely accessible events has increased since 2019.

Consensus between stakeholders was that more creative solutions and projects could have been developed had more time been available, and with more workshops between industry, government and network service providers. Some commented that a lot of time was required to

gather and analyse essential information for proposals, leaving less time for creative problem solving before proposals were due.

Stimulating Quality Proposals

The large number of proposals received also resulted in a greater number of high-quality proposals compared to previous years, likely due to the perceived competition and broader interest in bidding. Bids were visible to all proponents throughout the auction assessment process, which generated a high level of price competition among bidders, though some interviewed said that if there was less visibility of the bids, their initial bid would have been very close, if not identical, to their final one during dynamic rebidding.

Communication with the network service providers was critical for proponents to develop meaningful proposals, particularly with respect to the required ACT battery component. Several stakeholders said that had there been stronger baseline information about the aims of the battery requirement, including installation sites, connection points and size, the proposals would have been higher quality, with a better result for electricity consumers in the long term.

Specifically, if proponents had more knowledge of the battery's purpose and possible installation conditions, more efficient communication with the network service providers could have been made, and creative solutions could have been more easily reached that would defer network augmentations and better meet the joint aims of the ACT Government, network service providers, and auction proponents.

Proposals also required information from the relevant network service providers for both the generation and the battery storage components. Stakeholders interviewed felt that a more complete documentation of grid connection progress requirements would have helped proposals, and it was unclear what kinds of evidence proponents could provide to show the kind of progress the Government was looking for.

The level of detail included in proposals was a significant factor for those that successfully progressed through the assessment stages. Approximately half the proposals met the minimum requirements, with the other half culled during the initial stages on competitiveness grounds. Proposals for wind and solar were represented, with 5 wind and 11 solar proposals making it through to the initial Advisory Panel assessment.

Some proponents felt that the RFP favoured applicants that were more experienced at responding to government processes. More guidance on what kind of documentation could be provided as evidence of connection approval, such as step-by-step accepted evidence, would have assisted.

Bidders also expressed the view that proponents experienced with battery project developments would have been able to apply their experience and knowledge, and effectively had more time to come up with unique solutions for their proposed ACT battery projects. Nonetheless, the general

consensus was that the process was fair, most battery proposals would probably have been similar, and the bidders were fundamentally competing on price.

Providing Certainty to Participants

Proponents agreed that the FiT offered by the ACT Government was an essential part of the certainty provided to them during the process. Many renewables projects rely on securing a Power Purchase Agreement (PPA) in order to secure finance, and the ACT Government is clearly seen as a reliable counter-party. The alternative, for businesses to provide corporate PPAs, depends on the current market conditions, and has different risks.

The main source of uncertainty for the participants, particularly in this latest auction round, was sovereign risk, ie the possibility that the Act would be repealed or amended. The competitive pressure on bidders to reduce or exclude reliance on the TCA was especially strong this time and this reduced certainty for many bidders.

Some proponents found it difficult to get confirmation from battery project partners for their proposals. With lack of detailed information from the ACT Government about the battery installation conditions and requirements, battery partners could only provide letters of support instead of concrete information, which hindered some proposals.

Some proponents also commented that they were uncertain about the exact items that would cause a bid to be ineligible. It was noted that some bids did fail to provide complete information on specific terms and prices, yet did not break any specific terms of the RFP.

Proponents felt strongly that the battery storage component caused them the most uncertainty during the process. It was not easy to provide meaningful proposals without access to potential sites. This could have been mitigated by providing suggested locations and specifications beforehand. Some unsuccessful bidders admitted that they were not entirely confident that the batteries they proposed are fully feasible or deliverable exactly as proposed.

4.2.2 Auction Design and Administration Process

With a particular focus on dynamic rebidding, the FiT payment methodology/contract duration and the battery storage requirement, was the auction design and administration process efficient and effective?

Dynamic Rebidding

Stakeholders interviewed for this review were mostly positive about the new dynamic rebidding process. It was suggested that this process led to 20-30% reduction in some of the proponent's bids, a highly effective outcome.

However, there were also some negative comments. Proponents needed to commit large resources to the process, particularly due to the need to revise bids over both the 10- and 14-

year timeframes. The administrative burden was also high, particularly due to the need to print forms, obtain two executive signatures and scan them before each rebid. International stakeholders commented that the time differences made the rebidding task especially difficult for them to manage.

The introduction of a process to dynamically reduce FiT prices exacerbates the risk that proponents will submit unrealistically low bids. Project delivery risks due to exceedingly low FiT bids are well documented internationally with the application of reverse auctions. Ultimately the impact of this increased risk will only become evident based on the timelines for delivery of the successful projects.

Feed-in Tariff

Payment Methodology

A negative \$20/MWh price floor on the Contract-for-Difference (CFD) was introduced for this auction. In past auctions, there was no price floor on the CFD, exposing the ACT to wholesale spot prices going to as low as negative \$1,000/MWh, as they did in SA in 2019. In the view of interviewed stakeholders, this price floor was reasonable, and consistent with the value of LGCs in the market. As discussed in Section 4.3, it is worth noting that spot prices are different across the NEM jurisdictions, so for example they may be low in States where the renewable energy generation is built (and so result in costs to the ACT Government through the CFD) but higher in NSW (and so ACT residents do not benefit from the impact of low spot prices).

Contract Duration

A novel feature of this auction was the requirement for proponents to submit a proposal for terms of 10 and 14 years, rather than one term of 20 years. Government stakeholders indicated that this choice was made taking into consideration when contracts from previous auctions were due to end, to stagger the end dates. Some proponents indicated that they would have preferred one specific term rather than two, to simplify the value proposition for the ACT and reduce the resources required to bid. It was also noted that additional effort was required for the ACT to appropriately compare the 10 and 14-year terms.

Requirement to include Battery Storage

Interviews highlighted that the requirement to include a large-scale battery located in the ACT lacked the efficiency and effectiveness seen elsewhere in the auction. Placement and development of the battery project was the responsibility of the proponent, a complex problem due the need to procure or lease affordable land and secure a network connection.

Avenues were opened for engagement with the distribution network service provider (Evoenergy) but given the timescales involved this was unlikely to result in the development of battery proposals which delivered optimal value to the ACT, in terms of both technical and social

outcomes. It was noted in interviews that the quality of large-scale battery proposals reflected this. Stakeholders suggested that more effective outcomes could have been produced through closer and earlier engagement with Evoenergy and TransGrid to identify suitable connection points and make appropriate parcels of land available to proponents. Ideally, Evoenergy could have provided a list of its preferred locations and battery capabilities to all proponents. This would have increased the level of pre-auction administration but simplified the process for proponents and allowed more efficient, effective outcomes for the large-scale battery deployments.

The fully merchant income for the battery deployment was also raised as a challenge for delivering the battery component of the auction. It was suggested that a base minimum income, paid by ACT Government or network service providers would have reduced risks for the battery deployment.

4.3 Risk Assignment Assessment

Were the risk assignment outcomes between the proponents and the territory appropriate and effective?

ITP's evaluation of risk assignment was based on a review of the project documentation, interviews with stakeholders, and an assessment of risk allocation mechanisms in the earlier auction rounds. Overall, the risk assignment was found to favour the ACT Government over the proponent, and that this risk allocation was stronger than in previous auction rounds. The following sections outline the risk allocation across several categories that emerged from stakeholder consultation.

4.3.1 Project development and surrender of FiT entitlements

The ACT Government is exposed to the risk that the proponent may deliver the project with significant delays. An independent financial and technical evaluation was used to assess each project and how progressed they were in their development. The recommended projects both scored highly under EV1 and EV2, the criteria that incorporate financial readiness and development progress.

The ACT Government is also exposed to the risk that the proponent does not deliver the project or surrenders their FiT entitlements (which the proponent is permitted to do at any time, without repercussion). Failure to deliver the project would not significantly impact the ACT (apart from possible project delay), since the entitlements can be surrendered and granted to another proponent. However, if the entitlements are surrendered, the ACT may be unable to meet interim renewables and emissions targets. Stakeholder consultation indicated that this risk is appropriate, and since the entitlement surrender is stipulated in the Act, it is not possible for the auction process to change this risk.

4.3.2 Repeal or amendment of the Act

The Territory Compensation Arrangement (TCA) is designed to ensure that the proponents are financially compensated if their remaining FiT Entitlements are cancelled by a repeal or amendment of the Act. It shifts this sovereign risk from the proponent onto the ACT Government. In this auction, the TCA was removed as a standard term in the offer to bidders. Proponents were penalised up to 15% of their bid score for EV1 for requesting the maximum Proposed Compensation Cap Multiplier (PCCM) of \$250,000/MW. One of the two successful bids was recommended on the condition that the Deed of Feed-in Tariff Entitlement be negotiated without a TCA.

Proponents indicated that the large penalty applied to bids that requested a TCA shifted more risk onto the proponents, and that the project financiers viewed their projects as riskier. From the ACT's perspective, since repealing the Act would involve voiding all Deeds of Feed-in Tariff Entitlement (from all five auction rounds), and result in significant compensation cost, the likelihood of a future Government repealing the Act is decreasing over time. However, financiers may not be as accustomed to evaluating political risks such as the repeal of the Act, and it appears that they view the sovereign risk as greater than the ACT may assume. In light of this, while the prices achieved in this Auction were very competitive, they may not represent the lowest prices that could have been achieved. Some stakeholders indicated that obtaining debt for projects was significantly more difficult due to the lack of some amount of TCA in the Deed.

4.3.3 Currency risk

Proponents are exposed to currency risk due to fluctuating foreign exchange markets and interest rates for the duration of the bid evaluation. Past Auction reviews have noted that it is standard industry practice for proponents to own this currency risk for around two to three months. According to our stakeholder consultations, some proponents had locked in currency and some had not, but all agreed this was a risk for the proponents to manage. There was a general consensus that although the auction timeline was appropriate, particularly given disruptions due to COVID-19, being longer than normal it did increase currency risk for the proponents.

4.3.4 Spot price

The ACT is exposed to the risk of spot price volatility due to the Contract-For-Difference (CFD) structure of the FiT. ACT electricity consumers bear this risk, which may result in higher electricity prices if the spot prices where the renewable energy plant is located go below the relevant FiT rate. Spot price volatility also creates a cash flow challenge for Evoenergy as there can be a lag between when they need to pay out FiTs and when they can recoup the cost from ACT electricity consumers.

Stakeholder consultations indicated that by supporting projects in SA and VIC, the ACT has incurred higher CFD payments in recent months because the spot price in these states has been unusually low, whereas the NSW spot price (to which the ACT is exposed) has been relatively high. The ACT could take advantage of this market volatility by supporting more projects in NSW. A fall in NSW spot prices below the relevant FiT rate for extended periods would mean higher FiT payouts, but this would be partially compensated by the lower wholesale electricity price. While this risk is appropriately allocated to the ACT, the approach outlined above is one option for reducing this risk.

4.4 Fulfillment of the Act

Interviewed stakeholders all agreed, and the conclusion of this review, is that the auction process fulfilled all four of the objectives of the Act.

- (a) *promote the establishment of large-scale facilities for the generation of electricity from a range of renewable energy sources in the Australian capital region and other places*

The Renewables Auction 5 process was successful in securing commitments to build 200 MW of wind generation from credible suppliers. The FiT agreements provided by the Government are essential for securing finance, without which these projects could not be built. Thus, the auction plays a significant role in establishing the facilities described in this objective.

- (b) *promote the development of the renewable energy generation industry in the ACT and Australia consistent with the development of a national electricity market*

The attention of the renewables industry has been well focused on the ACT auctions, and it is the opinion of all stakeholders that this has mobilised investment in renewable energy generation for the ACT. As a leader in renewable energy investment in Australia and the world, the ACT's actions promote renewable energy to Australia more widely.

The amount of industry collaboration was conducive to relationship building between developers, and though more flexibility in the workshops was desired, the auction design including these workshops promoted collaboration and evolution in the ACT renewable energy generation industry.

- (c) *reduce the ACT's contribution to greenhouse gas emissions and help achieve targets to reduce the ACT's greenhouse gas emissions*

The Act has resulted in four successful auction rounds to date, and the likely successful implementation of the two projects that won this auction will continue this trend.

Collectively these projects will be generating around 3,000 GWh per year of renewable electricity with full lifecycle emissions significantly lower than any non-renewable alternative. On this basis this objective of the Act continues to be met.

In addition to generation, this year it was noted that a number of solar panel recycling projects were discussed in workshops with industry, and capability for this allows solar projects in the ACR to reduce their overall emissions footprint when projects are decommissioned, further assisting with this objective.

- (d) *address the need for urgent action to be taken to reduce reliance on non-renewable energy sources while minimising the cost to electricity consumers.*

The direct result of the auction is that large-scale renewable energy projects are being developed to substitute electricity from non-renewable to renewable sources.

Large-scale solar and wind projects tend to reduce reliance on existing coal and gas-fired generation because they have near zero marginal running cost. As renewable generators reduce the capacity factor of existing fossil fuelled generators, they also tend to bring forward their retirement.

As discussed earlier in this review, the successful projects have been secured with record low FiT offerings, thereby minimising the overall cost to ACT electricity consumers.

On this basis we conclude that all these objectives of the Act have clearly been effectively met, provided the successful projects (or replacements) reach financial close and are built.

5 CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of conclusions

ITP undertook the review of the Renewables Auction 5 which included desktop analysis of documentation and stakeholder interviews. An overview of the main findings is provided in the following table:

Value-for-money	<p>Value for money was demonstrated because the FiT prices achieved (\$44.97/MWh 14-year and \$54.48/MWh 10-year) were reported as the lowest achieved in the NEM at the time.</p> <p>The level of industry participation and engagement led to strong competition.</p> <p>By allowing both wind and solar to compete, the auction resulted in additional competition.</p> <p>The successful proposals scored highly on all evaluation criteria. Other high merit proposals were available if the successful proposals did not proceed.</p> <p>The large-scale battery component of the auction did not achieve maximum value-for-money due to the limited timeframe available for preparing complex battery proposals which required land and high-voltage grid-connection feasibility as well as analysis of potential revenue stream forecasts.</p>
Effectiveness of administration	<p>The administration of the auction was assessed as being effective and efficient.</p> <p>This is the fifth auction and EPSDD has developed a range of appropriate processes to streamline the delivery and ensure timelines are met.</p>
Effectiveness of process	<p>The auction process is well understood by stakeholders which assists with the efficiency of its delivery.</p> <p>Some minor suggestions for improvements were made by proponents to reduce the resourcing required to participate in a bid.</p>
Risk allocation	<p>The risk allocation is considered to be appropriate.</p> <p>The removal of the Territory Compensation Arrangement (TCA) was reported as making obtaining debt more difficult. Bids may have been lower if the TCA was available without penalising a bid's chances.</p>
Probity	<p>No probity concerns were raised in stakeholder interviews.</p> <p>The auction process was generally praised for its transparency.</p>

5.2 Recommendations

The recommendations from the review are as follows:

1. Territory Compensation Arrangement weighting

Careful consideration should be given to the evaluation weighting of the TCA. While in Renewables Auction 5 the TCA was presented as an option, many of the proponents interviewed indicated that they dismissed it as viable proposition, because electing to use it would have a significant negative effect on their score. Compared to earlier Auction rounds, this has shifted the risk from the ACT Government to the proponent with the outcome that the FiT proposed rates, while remarkably low, may have been higher than could have been achieved with a TCA.

If there is to be another auction, noting that this may be some years in the future, the ACT could survey potential bidders and financiers about their perceptions about the degree of sovereign risk. Based on our consultation, we believe it is likely that the market is currently rating the risk higher than the ACT Government realises.

2. Battery project siting

If a future auction similarly required bidders to put forward battery or other energy infrastructure projects in the ACT, consideration should be given to collaborating with the relevant DNSP or TNSP to pre-identify sites, connection options and operational requirements. The objective would be to ensure, or increase the likelihood of, the battery storage projects being developed in a network location where they would be most beneficial. Such a step could help focus the competition, encouraging bidders to compete to build more, larger, better batteries. It would also make life easier for Evoenergy, who otherwise has to deal with a multitude of different proposals from different developers.

If there was a concern that pre-identifying a limited number of sites may reduce bidder innovation, then the pre-identified sites could be offered as an option rather than a requirement.

Consideration could also be given to proponents placing their batteries outside the ACT, e.g. co-located with renewable generation, if the benefit from a lower FiT rate is greater than the benefit of placing a battery within the ACT.

3. Mitigate risk by increasing diversification on contracted parties

Over several auction rounds, a few firms have won several projects, creating a contractor concentration issue. The risk is that if these entities get into financial difficulty, several projects may be impacted. While it would be inappropriate to introduce a mechanism to dissuade or penalise bidders simply because they have been successful in the past, it should equally be recognised that diversification is in the ACT Government's interest. Further, it needs to be recognised that past winners have some advantages, including for example that their physical

presence in the ACT helps them to score well on ACT industry support evaluation criteria. In future rounds, consideration could be given to more clearly explaining what good industry and community engagement represents, especially to guide new or relatively inexperienced proponents.

4. Hedge price risk by targeting projects in NSW

NSW based projects have the advantage that if NSW spot prices fall to below the FiT rate for extended periods, while the cost of FiT payments would increase, the underlying cost of electricity in the ACT would also fall because it is related to the NSW spot price. This creates a price hedge.

About three quarters of renewable energy generated by projects supported by all of the auction round winners (including Renewables Auction 5) will be in South Australia and Victoria. While there were good reasons for this, it has created a situation where low spot prices in those regions increase the scheme cost to ACT electricity consumers, while relatively high spot prices in NSW means that ACT electricity consumers do not benefit from these low spot prices.

5. Streamline any future dynamic rebidding process

The newly introduced dynamic rebidding process was successful, but adjustments should be considered to reduce the administrative burden for bidders. Improvements could include a system to allow acceptance of a pre-approved single authorised signature, and slowing the turn-around time with a view to accommodating overseas bidders where the senior management and company boards are operating in non-overlapping time zones.



ITP Renewables

Office: Level 1, 19-23 Moore St
Turner ACT 2612

Postal: PO Box 6127
O'Connor ACT 2602
Australia

Email: info@itpau.com.au
Phone: +61 (0) 2 6257 3511

itpau.com.au