LEGISLATIVE ASSEMBLY
FOR THE AUSTRALIAN CAPITAL TERRITORY

COMMITTEE SUPPORT

Standing Committee on Environment, Climate Change and Biodiversity

Inquiry into Annual and Financial Reports 2022-2023
ANSWER TO QUESTION TAKEN ON NOTICE

Asked by Ed Cocks MLA on 12 December 2023: Andrew Barr MLA took on notice the following question(s):

Reference: Hansard Uncorrected Proof Transcript, 12 December 2023, Pages 8-10

In relation to: Canberra Big Battery

MR COCKS: So, page 20 of the Annual Report, where it refers to delivery of the project. There was a media release published by CMTEDD earlier this year that notes that the Canberra Battery will cost between $300 million and $400 million.

Around budget time last year, we were seeing the Canberra Big Battery talked about as $100 million project. You might be able to appreciate that is a pretty wide spread of dollar figures for this project. Can you help me get a handle on exactly how much this is going to cost?

Mr Barr: Sure. It is principally private equity, but Sam, do you want to take—

Mr Engele: Yes, sure.

So there has been an evolution of how we have accounted for that project. And I guess our understanding about where the government could interact in the battery sort of ecosystem on them.

And so originally, we thought that when the government made the commitment about encouraging a large-scale system in the ACT for reliability and other purposes, that we would need to do what other states and territories have largely done, which is provide a—essentially a grant to set up. And so originally, we booked that as possible a $100 million, even to own and operate the system itself or alternatively to provide it as a grant. And that was a very high-level estimate at the beginning of the process.

As we have worked through the details of that, and the government clarified its objectives also included to generate revenue for the territory, we looked at other ways of engaging with network operators and the battery providers and have come up with a—essentially a new way of doing BBP in Australia, which is a revenue share contract. So the way that that works is we provide a—essentially an availability payment on a quarterly basis to an energy—sorry, a battery system operator and owner. And the private partner owns the asset. And then in return for that availability payment, we get a share of the total revenue of the battery.

The reason that that was a new type of contract, and the reason that we decided to do that was, as part of the industry consultation and developing the project, we learned that the key challenge that those operators were having was with—batteries have a very irregular revenue stream. So they make a lot of money in a very short period of time. But then they can essentially just tick along and not make much revenue.

And so that makes challenges for them getting private finance. So there was a bit of a market opportunity for the ACT to provide an assured level of revenue, which then decreased the battery operator's capital. And then the other—essentially, the benefits of that be shared back. So, when we—now, when we book that, it is a revenue back to government. So it is of no cost and in fact generates revenue.

And the media release that related to the $300,000 to $400,000 million, was the total capital cost that would be incurred by the private sector partner for that battery system.

MR COCKS: Okay—

Mr Engele: So the ACT government will not—it will not cost the ACT government over the lift of the battery. And we are expecting it—and it is subject to commercial risk to generate a return for the government.

MR COCKS: Okay. So the—those quarterly payments, how much are they?

Mr Engele: So that is—they are commercial in confidence as part of their contract.

MR COCKS: On what basis is that considered commercial in confidence, in terms of government information—

Mr Engele: Well—

MR COCKS: Because that is a—

Mr Engele: As part of the—

MR COCKS: —an agreed contract.

Mr Engele: Yes, so as part of the agreed contract that was—

MR COCKS: So it has simply been declared commercial in confidence?

Mr Engele: No, well that has been redacted to each component on that contract so—so that would impact on the—on Eku Energy, who are the private partners, essentially their ability to do other contracts of that nature with other commercial partners.

MR COCKS: Okay. So what is then the expected revenue to the ACT government across the 15-year period?

Mr Engele: So we have a—it is net present value positive, and the total amount is also, you know, relate back to that revenue shared contract. And they would be—for over the four-year period, they will be included in the Budget parameters.

MR COCKS: Sorry, so you are saying you cannot tell me how much it costs. And you cannot tell me how much revenue it is going to bring in.

Mr Barr: We will report revenue in the Budget—

MR COCKS: Yes, but have you done any—

Mr Barr: —and every year—

MR COCKS: Have you done any analysis on—

Mr Engele: Yes.

Mr Barr: Yes.

Mr Engele: It is completed—

Mr Barr: There has been a complete analysis, and we will publish every year the revenue—

MR COCKS: So can you give the committee the analysis of what is expected in terms of revenue?

Mr Barr: Well there is commercial in confidence elements to that. And I will take on notice what we can provide.

MR COCKS: Okay.

Andrew Barr MLA: The answer to the Member's question is as follows:–

The Territory has modelled the electricity market futures for the life of the 15-year contract With Eku Energy under different scenarios. Based on this modelling the Territory is confident that the investment will deliver a positive financial return to the ACT over the life of the contract.

The Territory will publish aggregate revenue and expense estimates for the project over the forward estimates in the budget papers. This will combine expenses related to all streams of the Big Canberra Battery.

The delegate approved sections of the contract between the ACT Government and Eku Energy to be confidential text as governed by clause 35 of the *Government Procurement Act*.

Releasing details of the support charge payments and revenues of the contract, whether separately or as a net position would prejudice the competitive commercial activities of Eku and the ACT Government and the trade secrets of Eku for the following reasons:

- Unlike wind or solar, a battery energy storage system is an actively traded asset with multiple revenue streams and is likely to participate in the derivative market, and making the support charge public may impact the project's ability to compete as effectively in both the spot market and/or in the derivative market as there will be an asymmetry in information (for example, participants/counterparties will know more about the project's contracted financial position than the project will of theirs). As the ACT Government takes a share of the project's revenues this could also negatively impact the ACT Government's returns from the contract.

- Eku Energy is currently engaging with key sub-contractors (such as battery suppliers and design and construct contractors), and making the support charge public may impact the competitive tension Eku Energy is able to achieve in these competitive procurement processes for the project.

- Release of the contract details would prejudice Eku Energy's propriety view of electricity market forward curves, and if made public, it reduces their ability to compete as effectively in the market for future projects as their intellectual property and view on the market is made public to competitors and future offtakers.

Approved for circulation to the Standing Committee on Environment, Climate Change and Biodiversity

Signature: Andrew Barr   Date: 20.12.23

By the Minister for Climate Action, Andrew Barr MLA