

23 December 2022

## A year of delivery

*By Paul Verschuer, Executive General Manager*

2022 has been massive for AEMO Services. It will be remembered as the year in which the energy transition in NSW took shape, and we're proud to be playing a central role as the state's Consumer Trustee.

In October we opened the [first competitive tenders](#) for generation and long duration storage under the NSW Electricity Infrastructure Roadmap. We are very pleased with the strong response, with proponent bids representing a combined capacity of more than 5.5GW of generation and 2.5GW of long duration storage. This far exceeds the 950 MW of generation and 600 MW of long-duration storage set out as the indicative size for this tender in the [Infrastructure Investment Objectives \(IIO\) Report](#), our plan to deliver on the objectives of the Roadmap and meet the state's future energy needs.

It's encouraging to see such enthusiasm from the market because it is competition that will drive better consumer outcomes. It's also important to remember the substantial work that facilitated such healthy interest.

Research globally showed that earlier forms of energy infrastructure incentive schemes had often achieved their energy goals, but at a significant cost to consumers. Our objective was to design new products and processes that would turn this dynamic on its head, ensuring that only projects that demonstrate significant benefit to consumers get supported. In return, the developers and investors of these projects receive a product that gives them far greater flexibility than the traditional Contract for Difference (CFD).

To this end AEMO Services engaged closely with investors and project proponents throughout the year to design products and processes to achieve our objective. We established a regular [Market Briefing Series](#) to update our commercial stakeholders on developments and better prepare them to take part in tenders.

Drawing on insights from this market engagement, experts from our team finalised the design of key elements of the Roadmap, including:

- The process for the inaugural tender, which will serve as the basis for biannual tenders for at least the next decade;
- Long-Term Energy Service Agreements (LTESA), the innovative contracts for generation and long duration storage projects available through the tender process;

- The [Firming IIO Report](#), which sets out the expected timing and size of the inaugural Q2 2023 tender for firming infrastructure; and
- A LTESA for firming infrastructure, which will be available through the firming infrastructure tender.

AEMO Services also worked extensively to prepare for the establishment of the Scheme Financial Vehicle (SFV), which will serve as the independent counterparty to Long-Term Energy Service Agreements and provide revenue (as determined by the Australian Energy Regulator) for Renewable Energy Zone network infrastructure projects and Priority Transmission Infrastructure Projects developed under the Roadmap. The SFV achieved a AA3-stable credit rating from Moodys.

We appointed Equity Trustees Limited as the Financial Trustee – the entity that establishes and administers the SFV under the Roadmap – and the SFV has established the Electricity Infrastructure Fund to manage cash inflows and outflows.

Our Roadmap partner, [EnergyCo](#), has acted swiftly to deliver the Waratah Super Battery project, appointing Akaysha Energy to deliver the largest network standby battery in the southern hemisphere. They have conducted a contestable procurement process for the Central-West Orana Renewable Energy Zone (REZ) network operator and are developing four other REZ's across the state. We are working together with EnergyCo on the access rights necessary for proponents to connect to this purpose-built transmission.

Next year promises to be just as momentous.

AEMO Services will conduct the tender for firming infrastructure alongside the second round of our tender for generation and long-duration storage, with both expected to take place in Q2 2023. We also expect the third tender round to take place toward the end of the year and, if doing so is of value to host communities and electricity consumers, broaden support to projects across the state which will bring quality energy to market sooner and accelerate the transformation of the NSW electricity system.

A recently announced Commonwealth Capacity Investment Scheme will operate consistent with the NSW Electricity Infrastructure Roadmap to support the build of new firm renewable energy and storage. The Commonwealth's Capacity Investment Scheme funding will be available to support the existing Roadmap framework and will not interfere with our competitive tenders underway or scheduled for 2023.

In some relatively breaking news to conclude 2022 and lead us in 2023, the Commonwealth and NSW Governments have announced a joint funding package of \$7.8 billion to back eight critical transmission and REZ projects, which will help realise the potential of the Roadmap and increase reliability across the east coast grid.

The Roadmap is an integrated approach to driving private investment into a new wave of assets across transmission, generation, storage and firming at an unprecedented scale, and

we've achieved a great deal of progress this year through largely uncharted waters. It's a collaboration of entities, we benefit from the efforts of every one of our partners at AEMO, EnergyCo, the AER, IPART and the Office of Energy and Climate Change (OECC), as well as ongoing engagement and enthusiasm of our valued stakeholders. I also want to recognise the significant and meaningful work by the Renewable Energy Sector Board and the Electricity Infrastructure Jobs Advocate in the delivery of their initial plan and report respectively, as well as for their constructive relationship with AEMO Services. Most of all, I wish to thank the awesome, passionate and purposeful people at AEMO Services, you rock!

-ENDS-

### About the author

**Paul Verschuer, Executive General Manager**

Paul is responsible for leading the management of AEMO Services.

Prior to joining AEMO Services in June 2021, Paul spent more than 35 years in senior governance and management roles across the financial, government and energy sectors. This includes working with the NSW Department of Planning, Industry and Environment, Westpac, the Commonwealth Treasury and NSW Treasury.

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