Australian Government

Department of Climate Change, Energy, the Environment and Water

Capacity Investment Scheme Tender 7: National Electricity Market - Generation

MC1 Market Briefing Note

Guidance on evaluation of Merit Criterion 1 – Financial value, system reliability and system benefits

October 2025

Introduction

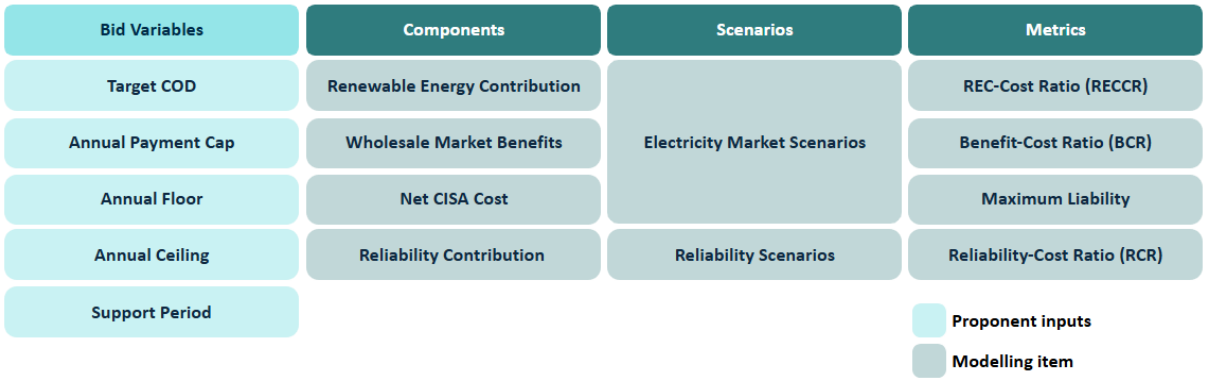
This Market Briefing Note sets out information relating to the evaluation of Merit Criterion (**MC**) 1 – *Financial value, system reliability and system benefits* in the Capacity Investment Scheme (**CIS**) Tender 7: National Electricity Market (**NEM**) Generation (**Tender Process, Tender 7** or **Tender 7 Process**).

What you need to know when preparing your Bid

MC1 evaluates financial value, system reliability and system benefits using a range of benefit and cost Metrics. CIS bid variables (**Bid Variables**) drive costs while a Project's physical characteristics (**Project Parameters**) informs both Net CISA Cost and Project Benefits. The MC1 evaluation informs the Financial Value Metrics listed in the figure below (collectively, '**Metrics**') which are used to score Bids from high merit to lower merit.

How to achieve high merit – In the MC1 evaluation, cost and benefits are forecast by Renewable Energy Contribution, Wholesale Market Benefits, Reliability Contribution and Net CISA Cost (collectively '**Components'**). These Components are then modelled across Electricity Market Scenarios and Reliability Scenarios as described in Section 3.3 (collectively '**Scenarios**'). Scenario-weighted Components are used to calculate Metrics for MC1 scoring purposes. The figure below provides an overview of this process.

Figure 1 - MC1 Assessment approach overview



What makes a competitive Bid - To be considered higher merit in MC1, Proponents should provide competitive Bid Variables that reduce the forecast Net CISA Cost e.g., a low Annual Floor and Annual Payment Cap and a shorter Support Period. All else being equal, Projects are expected to be assessed as higher merit if they can provide high Project Benefits, including in relation to Renewable Energy Contribution, Wholesale Market Benefits and Reliability Contribution, as outlined in Section 4.0.

What to provide - Proponents must provide Bid Variables and Project Parameters in the MC1 Returnable Schedule. As outlined in Section 5.0, bidding should focus on offering a competitive set of Bid Variables to achieve the lowest Net CISA Cost to the Australian Government.

1.0 Purpose of this document

This Market Briefing Note has been prepared to provide information to Proponents about how Projects may be assessed against MC1. It provides an overview of factors that are expected to affect the MC1 assessment of Projects, namely, the key Metrics and their underpinning Components.

In this Market Briefing Note:

- Section 2.0 outlines the drafting of this Market Briefing Note and Bid assessment in accordance with the Tender Guidelines.
- Section 3.0 provides an overview of the MC1 assessment approach.
- Section 4.0 details each of the of the Components.
- Section 5.0 outlines the characteristics of a competitive Bid.
- Section 6.0 outlines the evaluation approach for Hybrid and Staged Projects.

2.0 Tender Guidelines

This Market Briefing Note has been drafted in accordance with the Tender Guidelines. However, to the extent of any inconsistency, the Tender Guidelines will prevail. Capitalised terms used but not defined in this document (including Appendix 1) have the meaning given in the Tender Guidelines or, if not defined there, in the Proforma CISA.

The CIS Tender Process aims to attract high merit Projects based on a weighted assessment of the financial and non-financial elements of the Bid as outlined in the Tender Guidelines. Regarding Bid Variables (i.e. the Annual Floor, Annual Ceiling, Final Support End Date and Annual Payment Cap), Proponents should aim to structure their Bid in a way that is both competitive (to enhance their prospects of success in this Tender Process) and sufficient to enable their Project to reach Financial Close, considering the Project's financing structure and debt/equity requirements. It is up to each Proponent to determine their Bid Variables considering the above.

3.0 Overview of MC1 for this CIS T7 NEM Generation Tender Process

3.1. Objectives

The Policy Objectives for the CIS NEM Generation Tender Process include:

- contribute to the delivery of an additional 40 GW of capacity by 2030;
- help deliver the Australian Government’s 82% renewable electricity by 2030 target;

- support electricity generation growth and reliability as demand grows and ageing coal power stations retire; and
- place downward pressure on electricity prices.

The MC1 assessment approach is designed to identify eligible Projects from all NEM jurisdictions that:

- can best contribute to meeting the Policy Objectives; and
- show competitive bidding behaviour with low Annual Payment Caps, low Annual Floors, low Annual Ceilings and a shorter Support Period.

3.2. Components

Assessment of MC1 will involve consideration of Bids across three Project Benefits Components as well as Net CISA Cost. A summary of these Project Benefits Components is provided in Table 1 below and described further in Section 4.0.

All else being equal, Projects that can demonstrate a higher value for the Project Benefits Components, and a lower value for Net CISA Cost, may be considered to be of higher merit. Project Parameters, such as a Project's location, modelled generation traces, Maximum Capacity and storage capacity and duration (if applicable) will be inputs into the model to best reflect the expected generation profile of different technologies and Projects. These Project-specific parameters will therefore affect the Project Benefits Components and Net CISA Cost.

Table 1: Components assessed in MC1

Component		Summary
Project Benefits	Renewable Energy Contribution	• Forecasts the Project's ability to contribute to the Commonwealth's renewable electricity objectives and to generate in periods in which it can displace fossil fuels. • This is modelled using a single Scenario, with a single focus year, as indicated in Table 2. See Section 3.3 below.
	Wholesale Market Benefits	• Forecasts the wholesale market price impact of each Project on the NEM. • This is modelled across several Electricity Market Scenarios, as indicated in Table 2. See Section 3.3 below.
	Reliability Contribution	• Forecasts the Project's potential contribution to avoiding or reducing modelled unserved energy in the NEM. • This may be modelled across different time-horizons in the Reliability Scenarios, and uses a similar approach to that within AEMO's Electricity Statement of Opportunities (**ESOO**) and is distinct from the modelling of the other Components. See Section 3.3.2 below.
Costs	Net CISA Costs	• The net present value of forecast payments to and from the Australian Government under a CISA. • Considers the Bid Variables of the Project and a forecast of its Net Operational Revenue. • This is modelled across several Electricity Market Scenarios for the given Support Period, as indicated in Table 2. See Section 3.3 below.

Project Benefits Components are calculated by measuring the difference in certain values between a counterfactual scenario which excludes the Project being assessed (**Counterfactual Case**) and another scenario in which the Project being assessed is added to the Energy Market Model (**Project-Specific Case**), while holding all else constant. Costs are calculated as a function of the Project's Net Operational

Revenue (**NOR**) modelled for each Electricity Market Scenario, and the Bid Variables provided in the MC1 Returnable Schedule. The processes for calculating Project Benefits and Costs is repeated individually for all Projects in the MC1 assessment.

3.3. Scenarios

Assessment will consider a range of Scenarios to test Bids for their ability to demonstrate value across a range of potential future market outcomes (**Scenarios**). Scenarios will be developed to represent a range of theoretical future market conditions.

Table 2 outlines three forecasting Scenarios (**Electricity Market Scenarios**) for Wholesale Market Benefits and Net CISA Cost. An adapted version of the Central Scenario (excluding generic new-build generation capacity) is used to calculate the Renewable Energy Contribution. Reliability Contribution modelling leverages the AEMO 2025 Enhanced Locational Information Report modelling and Scenarios, which consider different time horizons. (**Reliability Scenarios**). More detail on the different Scenarios is provided in Sections 3.3.1 and 3.3.2.

Table 2: Scenarios and relevant Financial Value Component

Scenarios		Components			
		Reliability Contribution	Renewable Energy Contribution	Wholesale Market Benefits	Net CISA Cost
Reliability	Horizons	✓			
Electricity Market	Central		✓	✓	✓
	Low			✓	✓
	High			✓	✓

Considering multiple Scenarios provides more robustness to assessment and ensures that the evaluation has conisdered a range of plausible outcomes. Higher merit Bids should demonstrate value across a range of future Scenarios. Lower value Bids may only demonstrate value in one or fewer Scenarios. Scenario-based outcomes will be weighted. The weighting considers both the importance of each Scenario for evaluation and the expected probabilities of a Scenario occurring.

3.3.1. Electricity Market Scenarios

In the Electricity Market Scenarios, the Central Scenario is designed to reflect a balanced market view of expected market outcomes, with two supporting Scenarios designed to capture extremely low and high forecasted wholesale prices.

Electricity Market Scenarios may vary across several input assumptions creating a range of future potential electricity market outcomes. For the MC1 assessment, Electricity Market Scenarios could be variations of the following:

- **Central Scenario**: a market-investor view of future energy market outcomes. This would generally align with assumptions from the Step Change scenario in the latest 'Input Assumptions and Scenarios Report' by AEMO and the 'Infrastructure Investment Objectives Report' by AusEnergy Services Limited. This Scenario considers the financial value of Bids on their most-likely Wholesale Market Benefit, Renewable Energy Contribution and Net CISA Cost outcomes.

- **Low Scenario**: reflective of a future NEM in which many levers coincide to drive lower average wholesale prices, lower intraday wholesale price spreads, and lower volatility. An example of such a lever may include lower fuel cost inputs. This Scenario aims to consider the financial value of Bids in a future NEM in which there are relatively lower Wholesale Market Benefits and relatively higher expected Net CISA Costs to the Australian Government.

- **High Scenario**: reflective of a future NEM in which many levers coincide to drive higher average wholesale prices, higher intraday wholesale price spreads, and higher volatility. An example of such a lever may include higher fuel costs inputs and higher CAPEX. This Scenario aims to consider the financial value of Bids when there are relatively higher Wholesale Market Benefits, and relatively lower expected Net CISA Costs to the Australian Government.

Input assumptions for the Scenarios may differ by:

- **Input assumptions on market developments:** future electricity market prices will be affected by market developments including (but not limited to) demand, coal retirements, fuel prices, uptake of distributed energy resources, renewable energy availability and transmission augmentation.

- **Weather reference years:** weather variations impact both renewable generation output and consumer demand. Multiple historical reference years may be used to reduce the risk of basing evaluation on weather patterns of a particular year and their effect on the operation of Projects.

3.3.2. Reliability Scenarios

- Projects are also assessed on their ability to avoid or reduce unserved energy in modelling that generally aligns with AEMO's ESOO reports. Scenario assumptions will align with AEMO's 2025 Enhanced Locational Information Report, which considers different time horizons. Reliability Scenarios are designed to reflect different stages of the energy transition, with the key focus of assessment being medium-term operating conditions that reflect a further progressed Scenario in which major network limitations are resolved, and the system is closer to having 82% Renewable Energy Contribution.

3.4. Metrics

Metrics may be used for scoring to translate the Financial Value Components into comparable scores for assessment. The MC1 assessment is intended to result in higher MC1 scores for Bids that perform well against the Financial Value Components and the Metrics listed in Table 3 below.

Table 3: Primary Financial Value Components and Scoring Metrics for MC1 assessment

Component or metric	Unit or ratio	Description	Direction of preference
Components			
Renewable Energy Contribution	**MWh**	Contribution to the Commonwealth's renewable electricity objectives relative to a Counterfactual Case, reflecting a Project's ability to support increased renewable energy output.	▲
Wholesale Market Benefits	**$, net present value**	Reduction in NEM market costs relative to a Counterfactual Case, weighted across several Electricity Market Scenarios.	▲

Component or metric	Unit or ratio	Description	Direction of preference
Reliability Contribution	**MW**	Firm MW, representing a Project's expected ability to reduce unserved energy based on its location and technology type, relative to a perfectly-located, energy unlimited project of the same capacity.	▲
Net CISA Costs	**$, net present value**	The net present value of forecast payments from the Australian Government under a CISA, weighted across Electricity Market Scenarios.	▼
Metrics			
Renewable Energy Contribution-Cost Ratio (RECCR)	**MWh/$**	Renewable Energy Contribution per dollar of Scenario-weighted Net CISA Cost ($, net present value). Considers both the Project's contribution to renewable energy in the NEM as well as its Scenario-weighted Net CISA Cost.	▲
Benefit-Cost Ratio (BCR)	**Ratio**	Scenario-Weighted Wholesale Market Benefits per dollar ($, net present value) of Scenario-Weighted Net CISA Cost ($, net present value). Considers both Scenario-Weighted Wholesale Market Benefits and Scenario-Weighted Net CISA Cost.	▲
Reliability-Cost Ratio (RCR)	**MW/$**	Reliability Contribution per dollar of Scenario-Weighted Net CISA Cost ($, net present value). Considers both the Project's Reliability Contribution as well as its Scenario-Weighted Net CISA Cost.	▲
Maximum Liability	**$**	Calculated by assuming that the Project is paid the maximum amount of financial support available under the CISA across the Support Period (which may be limited by the Annual Payment Caps applicable to each Financial Year in the Support Period). This assumes zero revenue for Projects.	▼

Further Metrics, or a combination of the Metrics set out above, may also be considered if they are developed to assess the benefits, cost and financial risks of Bids. These additional Metrics may be less aggregated (e.g., per Scenario, or Scenario-weighted) and may be based on one or several of the Financial Value Components identified.

4.0 Components

This section provides further detail of each Component, including the intent and method of calculation. This section also provides an indication of how the Project Parameters and the Bid Variables in the CISA may affect the Components.

4.1. Renewable Energy Contribution

A key Policy Objective of the CIS is to help increase the share of renwable energy contribution within the NEM.

The Renewable Energy Contribution is based on the difference in renewable energy in the NEM between the Project-Specific Case and Counterfactual Case. Any increase in market-wide renewable energy is attributed as a benefit of the Project.

Impact of Project Parameters / Bid Variables

The Renewable Energy Contribution is expected to be higher for Projects that:
• have a forecast generation profile that displaces more fossil fuel generation;
• are located where they can minimise their own curtailment and that of other renewable energy projects; and
• for Assessed Hybrid Projects:
  ○ have more energy available to be dispatched during times of need; and
  ○ have a forecast operating profile that displaces more fossil fuels.

4.2. Wholesale Market Benefits

A key Policy Objective of the CIS is to support Projects that can put downward pressure on electricity prices in Australia's rapidly changing energy market.

Wholesale Market Benefits are measured based on the difference in cost of meeting NEM-wide demand (load cost) between the Project-Specific Case and the Counterfactual Case across all Electricity Market Scenarios, subject to their respective weightings. Any reduction in load cost is attributed as a benefit of the Project. As such, Wholesale Market Benefits are expected to occur when a Project lowers load-weighted prices. For example, Generation Projects might provide Wholesale Market Benefits by providing more zero-marginal cost energy during periods when supply is tighter. Assessed Hybrid Projects might provide Wholesale Market Benefits by reducing intra-day price spreads and volatility, or by improving supply adequacy and reducing curtailment of low-cost generators.

Impact of Project Parameters / Bid Variables
Wholesale Market Benefits are expected to be higher for Projects that: • have a forecast generation profile that makes more energy available for dispatch during periods of high prices;

Impact of Project Parameters / Bid Variables
• can commit to an earlier COD Target Date[1], as there is greater opportunity in early years for Projects to have a positive impact on any forecast high prices; • provide greater contribution to the market by locating in network locations that have good access to load centres; • provide more years of benefits through longer asset lives for different technologies; and • for Assessed Hybrid Projects, offer more energy available to be dispatched during periods of high prices.

4.2.1. Calculating Wholesale Market Benefits

Generation Projects are expected to put downward pressure on wholesale electricity prices. Modelling considers the impact of Projects on wholesale electricity prices across the NEM as benefits may be shared between regions. This may be particularly relevant for Projects located near regional interconnectors.

Formulaically, Wholesale Market Benefits may be represented as below:

$$\Sigma_{s=1}^{n} W_s \times (ALC - ALC')$$

for each Region in the NEM, and over the Project's Operational Life,

where:

- W_s is the weighting of each modelled Scenario and n is the number of modelled Scenarios.
- ALC is the annual load cost in a region and Scenario before the addition of the Project being assessed.
- ALC' is the annual load cost in a region and Scenario after the addition of the Project being assessed.

4.3. Reliability Contribution

A key Policy Objective of the CIS is to support Projects that can support system reliability. Projects will be assessed on their ability to avoid or reduce unserved energy and therefore reducing reliability risks across the NEM in the medium term, with this CIS NEM Tender having a higher focus on mitigating medium term reliability risks. Analysis will be aligned with AEMO's 2025 Enhanced Locational Information Report.

The Reliability Contribution for a Project is calculated using the difference in modelled unserved energy between the Project-Specific Case and Counterfactual Case for the Reliability Scenarios. Reliability Contribution for assessed Projects is expressed as firm capacity, representing a Project's expected ability to reduce unserved energy based on its location and technology type, relative to the outcomes of a perferctly located, energy unlimited project.

[1] Merit Criterion 2 (Project deliverability and timeline) assesses the Project's development progress and credibility of forward plans to deliver the Project.

Impact of Project Parameters / Bid Variables

Reliability Contribution is expected to be higher for Projects that:
• are located close to load centres;
• are unlikely to be constrained during times of high demand; and
• for Assessed Hybrid Projects:
  ○ have a larger energy storage capacity (MWh) due to having a longer storage duration (hours); and/or
  ○ have **a larger dispatch capacity (MW).**

4.4. Net CISA Cost

Higher merit Bids are expected to have a relatively low Net CISA Cost. Net CISA Costs are a function of the Project's NOR and the Bid Variables in a CISA. A Project's potential NOR across available markets and Electricity Market Scenarios is forecast to inform the calculation of Net CISA Cost.

4.4.1. Forecasting Net Operational Revenue (NOR)

An Energy Market Model is run for each Project to forecast NOR. This considers the Project's specific parameters and is modelled for each Electricity Market Scenario, and therefore may take on a range of values. For assessment, NOR is forecast as the sum of revenues of the generation Project including:

- Dispatch-Weighted Average Price (**DWAP**) for each Project, which can be forecast using generation output profiles provided by Proponents.
- Green product revenues as a source of revenue for a Project.

4.4.2. Calculation of Net CISA Cost

Formulaically, the calculation of annual CISA cash flows over the Support Period is the net present value of the CISA cashflow for the Bid. This may be represented as below (where positive values are a payment to Project Operators)[2]:

$$\boldsymbol{Annual\ CISA\ Cashflows} = \begin{cases} \boldsymbol{SP}, & \boldsymbol{if\ NOR_{year} < ARF} \\ \boldsymbol{0}, & \boldsymbol{if\ ARF < NOR_{year} < ARC} \\ \boldsymbol{-RS}, & \boldsymbol{if\ NOR_{year} > ARC} \end{cases}$$

$$\boldsymbol{SP} = \boldsymbol{minimum}\ (\boldsymbol{90\%} \times (\boldsymbol{ARF} - \boldsymbol{NOR}), \boldsymbol{APC})$$
$$\boldsymbol{RS} = \boldsymbol{minimum}\ (\boldsymbol{50\%} \times (\boldsymbol{NOR} - \boldsymbol{ARC}), \boldsymbol{APC})$$

where[3]:

- $\boldsymbol{NOR}$ is Net Operational Revenue, which is the modelled revenues for the Project.
- $\boldsymbol{SP}$ is the Annual Support Amount paid under the CISA, if it is a positive amount.
- $\boldsymbol{RS}$ is the Annual Revenue Sharing Amount payable under the CISA, if it is a negative amount.
- $\boldsymbol{ARF}$ is the Annual Revenue Floor, which is equal to the Annual Floor multiplied by a modelled notional quantity of energy dispatched by the Project.

[2] Note the displayed formula is used for annual modelling in the MC1 assessment and may not directly match the calculations contained in the Proforma CISA. Please refer to the Proforma CISA for information on support payment calculations.

[3] For more information on terms please refer to the Proforma CISA.

- $\boldsymbol{ARC}$ is the Annual Revenue Ceiling, which is equal to the Annual Ceiling multiplied by a modelled notional quantity of energy dispatched by the Project.
- $\boldsymbol{APC}$ is the Annual Payment Cap.

Impact of Project Parameters / Bid Variables
Net CISA Costs and risk to the Australian Government are expected to reduce if the Bid or Project has the following features (all else being equal): • A low Annual Payment Cap, low Annual Floor and low Annual Ceiling. • Fewer Financial Years requiring support, particularly those Bids that have an earlier Final Expiry Date or that exclude periods in which high support payments would otherwise be expected.

5.0 Impact of Project Parameters and Bid Variables

Project Parameters[4] and Bid Variables will have varying impacts on the MC1 assessment. This section outlines how these parameters and Bid Variables could impact the MC1 assessment. The flexibility of the Proforma CISA aims to provide Proponents with the ability to develop Bids in a targeted way that can best suit their use-cases while also potentially reducing Net CISA Cost to the Australian Government.

Table 4 and Table 5 list various variables and their possible impact on MC1 assessment. Table 4 pertains to all Projects and Table 5 is relevant to Assessed Hybrid Projects only.

Table 4: Potential impact of Project Parameters and Bid Variables on MC1 assessment for all Projects

Project Parameter or Bid Variable	Key Component impacted	Impact, all else being equal
Annual Payment Cap	Net CISA Cost	Lower values reduce modelled CISA payments for Net CISA Cost and also reduce the Australian Government's maximum exposure to CISA costs. A lower Annual Payment Cap can make a Project more competitive.
Annual Floor	Net CISA Cost	Lower values put downward pressure on Net CISA Cost and may make a Bid more competitive. A lower Annual Floor may lower the expected CISA support payments from the Australian Government to the Project.
Annual Ceiling	Net CISA Cost	Lower values put downward pressure on Net CISA Cost as they could increase expected CISA revenue sharing in some Scenarios. A low Annual Floor and low Annual Payment Cap are expected to have higher impact on the assessment than having a low Annual Ceiling.
Support Period	Net CISA Cost	Competitive Projects may reduce their Net CISA Cost by bidding in a way that the Support Period is shorter, or otherwise that:

[4] Certain Project Parameters may be standardised by technology type in the MC1 assessment (e.g., operation life).

Project Parameter or Bid Variable	Key Component impacted	Impact, all else being equal
		• excludes support years when the Net CISA Cost would otherwise be expected to be high (e.g., when Project revenues are low); and • includes support years which may involve revenue sharing (e.g., when Project revenues are high).
Network Connection Point	All Components	A Project is expected to perform well across all Project Benefits Components if it connects to a location with low network congestion and low likelihood of having its output constrained in different dispatch Scenarios, including during peak demand periods. It may also be better able to earn higher market revenues, therefore lowering Net CISA Cost and improving the Project's competitiveness.
COD Target Date	Wholesale Market Benefits, Net CISA Cost	Projects with an earlier COD Target Date may be viewed more favourably for the purposes of MC1. For instance, if there are fewer renewable energy projects operating in the NEM in earlier years, there may be a greater opportunity to provide Market Benefits and earn higher revenues which could lower the Net CISA Cost, making a Project more competitive.
Generation Profile[5]	Wholesale Market Benefits, Net CISA Cost, Renewable Energy Contribution	A Project that can generate in periods of high prices when demand is typically met by thermal generation is expected to perform well across all Project Benefits Components. It may also earn higher market revenues, therefore lowering Net CISA Cost and improving the Project's competitiveness.
Operation Life	Wholesale Market Benefits	Projects using technologies with a longer Operational Life have a longer period to provide Wholesale Market Benefits, improving the Project's competitiveness.

Table 5: Potential impact of Project Parameters and Bid Variables on MC1 assessment for Assessed Hybrid Projects only

Project parameter in Assessed Hybrid Project	Key Financial Value Component impacted	Impact, all else being equal
Storage Capacity	All Components	An Associated Project with a larger energy storage capacity (MWh) is expected to perform well across all the Project Benefits Components and NOR in absolute terms, all else being equal.
Round-trip efficiency	All Project Benefits Components	An Associated Project with an energy storage technology type that can operate more efficiently is expected to perform well across all Project Benefits Components and achieve higher NOR.

[5] Generation profiles provided by Proponents are reviewed and if flagged, sensitivities may be run using a synthetic profile. Supporting evidence provided by Proponents may be used to validate Proponent profiles.

6.0 Hybrid and Staged Projects

This section provides a short summary on the evaluation approach of Hybrid and Staged Projects.

6.1. What is a Hybrid or Staged Project? [6]

Hybrid Projects

Hybrid Projects co-located generation and dispatchable assets which meet the characteristics of a Hybrid Project as described in the Proforma CISA. Hybrid Projects in this Tender Process refer to either:

- an **Assessed Hybrid Bid**, for which both the Project (i.e. the generation asset) and the Associated Project (i.e. the dispatchable asset) are assessed against the Merit Criteria. The Proponent, if awarded a CISA in respect of an Assessed Hybrid Bid, will be contractually required to deliver both the Project and the Associated Project; or
- a **Non-Assessed Hybrid Bid**, for which only the Project is assessed against the Merit Criteria, and not the Associated Project. The Proponent, if awarded a CISA, will not be contractually required to deliver the Associated Project.

Assessment of Hybrid Project in MC1

Only Assessed Hybrid Projects will be evaluated as Hybrid Projects in MC1. Compared to a generation only Project, Assessed Hybrid Projects may provide additional Renewable Energy Contribution, Wholesale Market Benefits and Reliability Contribution.

This assessment is expected to cover:

- **Project Benefits:** Assessed by considering the time-shifted dispatch of the Associated Project. This may occur through shifting generation into periods of system tightness and high prices, and/or displacing fossil fuel generation.
- **Net CISA Cost**: Assessed by considering only the dispatch and DWAP of the Project, excluding the time-shifted dispatch and DWAP of the Associated Project.

Assessment of Staged Projects

Project Benefits in MC1 will be assessed for the Project only, and exclude the existing generation asset.

[6] See the Tender Guidelines for information on Hybrid and Staged Projects.

Appendix 1 – Definitions

Term	Definition
AEMO	Either or both of AEMO Limited and ASL.
Annual Ceiling	Has the meaning given to that term in the Proforma CISA.
Annual Floor	Has the meaning given to that term in the Proforma CISA.
Annual Payment Cap	Has the meaning given to that term in the Proforma CISA.
Annual Revenue Ceiling	Has the meaning given to that term in Section 4.4.2 of this Market Briefing Note.
Annual Revenue Floor	Has the meaning given to that term in Section 4.4.2 of this Market Briefing Note.
Assessed Hybrid Bid	A Bid for an Assessed Hybrid Project.
Assessed Hybrid Project	Has the meaning given to that term in the Tender Guidelines.
Associated Project	Has the meaning given to that term in the Proforma CISA.
Benefit-Cost Ratio (or 'BCR')	In respect of a Bid, the net present value of the Wholesale Market Benefits per dollar of the Net CISA Cost.
Bid	Has the meaning given to that term in the Tender Guidelines.
Bid Variables	Has the meaning given to that term in the Tender Guidelines.
Central Scenario	Has the meaning given to that term in Section 3.3.1 of this Market Briefing Note.
CIS	Capacity Investment Scheme.
CISA (or 'Generation CISA')	Has the meaning given to that term in the Tender Guidelines.
COD Target Date	Has the meaning given to that term in the Proforma CISA.
Commonwealth	The Australian Government (Commonwealth of Australia) as represented by DCCEEW.
Components	Has the meaning given to that term in the Introduction to this Market Briefing Note.
Counterfactual Case	Has the meaning given to that term in Section 3.2 of this Market Briefing Note.
DCCEEW	Department of Climate Change, Energy, the Environment and Water.
Dispatch-Weighted Average Price (or 'DWAP')	The average wholesale electricity price received by a Project for its dispatch, calculated by dividing wholesale energy market revenue by the volume of energy dispatched across a given period.
Electricity Market Scenarios	Has the meaning given to that term in Section 3.3 of this Market Briefing Note.

Term	Definition
Energy Market Model	The model used to forecast each Project's impact on forecast power prices and Net Operational Revenue.
Financial Value Components	The Components considered and modelled across a set of Electricity Market Scenarios during the MC1 assessment, including the Project Benefits and the Net CISA Cost.
Financial Value Metrics	The metrics used to translate data and analysis derived from the Project and modelling into information used to assess Bids in MC1, including Scenario-Weighted Project Benefit, Scenario-Weighted Net CISA Cost, Reliability-Cost Ratio and BCR.
High Scenario	Has the meaning given to that term in Section 3.3.1 of this Market Briefing Note.
Hybrid Project	Has the meaning given to that term in the Proforma CISA.
Low Scenario	Has the meaning given to that term in Section 3.3.1 of this Market Briefing Note.
Maximum Capacity	Has the meaning given to that term in the Tender Guidelines.
Maximum Liability	Has the meaning given in Section 3.4 of this Market Briefing Note.
Merit Criteria or MC	Has the meaning given to that term in the Tender Guidelines.
Metrics	Has the meaning given to that term in the Introduction of this Market Briefing Note
NEM	The National Electricity Market.
Net CISA Cost	Has the meaning given to that term in the Tender Guidelines.
Net Operational Revenue (or 'NOR')	Has the meaning given to that term in Section 4.4.1 of this Market Briefing Note.
Operational Life	Expected operational guarantee life of the Project's generating facility.
Policy Objectives	Has the meaning given to that term in the Tender Guidelines.
Proforma CISA	Has the meaning given to that term in the Tender Guidelines.
Project	Has the meaning given to that term in the Tender Guidelines.
Project Benefits	A sub-set of Financial Value Components, including the Renewable Energy Contribution, Wholesale Market Benefits and Reliability Contribution.
Project Operator	Has the meaning given to that term in the Proforma CISA.
Project Parameters	Has the meaning given to that term in the Tender Guidelines.
Project-Specific Case	Has the meaning given to that term in Section 3.2 of this Market Briefing Note.
Proponent	Has the meaning given to that term in the Tender Guidelines.

Term	Definition
Reliability Contribution	A metric used in the MC1 assessment to measure a Project's forecast potential contribution to reduce modelled unserved energy as existing generators in the NEM are retired.
Reliability-Cost Ratio (or 'RCR')	In respect of a Bid, a metric which is used to represent the potential value of a Project's modelled Reliability Contribution as against its Scenario-Weighted Net CISA Cost.
Reliability Scenarios	Has the meaning given to that term in Section 3.3.2 of this Market Briefing Note.
Renewable Energy Contribution	Forecasts the Project's ability to contribute to the Commonwealth's electricity objectives and displace fossil fuels.
Renewable Energy Contribution-Cost Ratio (or 'RECCR')	In respect of a Bid, the Project's Renewable Energy Contribution divided by its Scenario-Weighted Net CISA Cost.
Scenario-Weighted	Indicates that the metric uses weighted outcomes from multiple Scenarios.
Scenarios	Has the meaning given to that term in Section 3.3 of this Market Briefing Note.
Scoring Metrics	Has the meaning given to that term in Section 3.4 of this Market Briefing Note.
Staged Project	Has the meaning given to that term in the Proforma CISA.
Support Period	Has the meaning given to that term in the Proforma CISA.
Tender Process	Has the meaning given to that term in the Proforma CISA.
Wholesale Market Benefits	A Component used in the MC1 assessment to forecast any reduction in load cost (i.e. the cost of meeting demand) from the addition of the assessed Project against a counterfactual case of load cost without the Project.