Australian Government

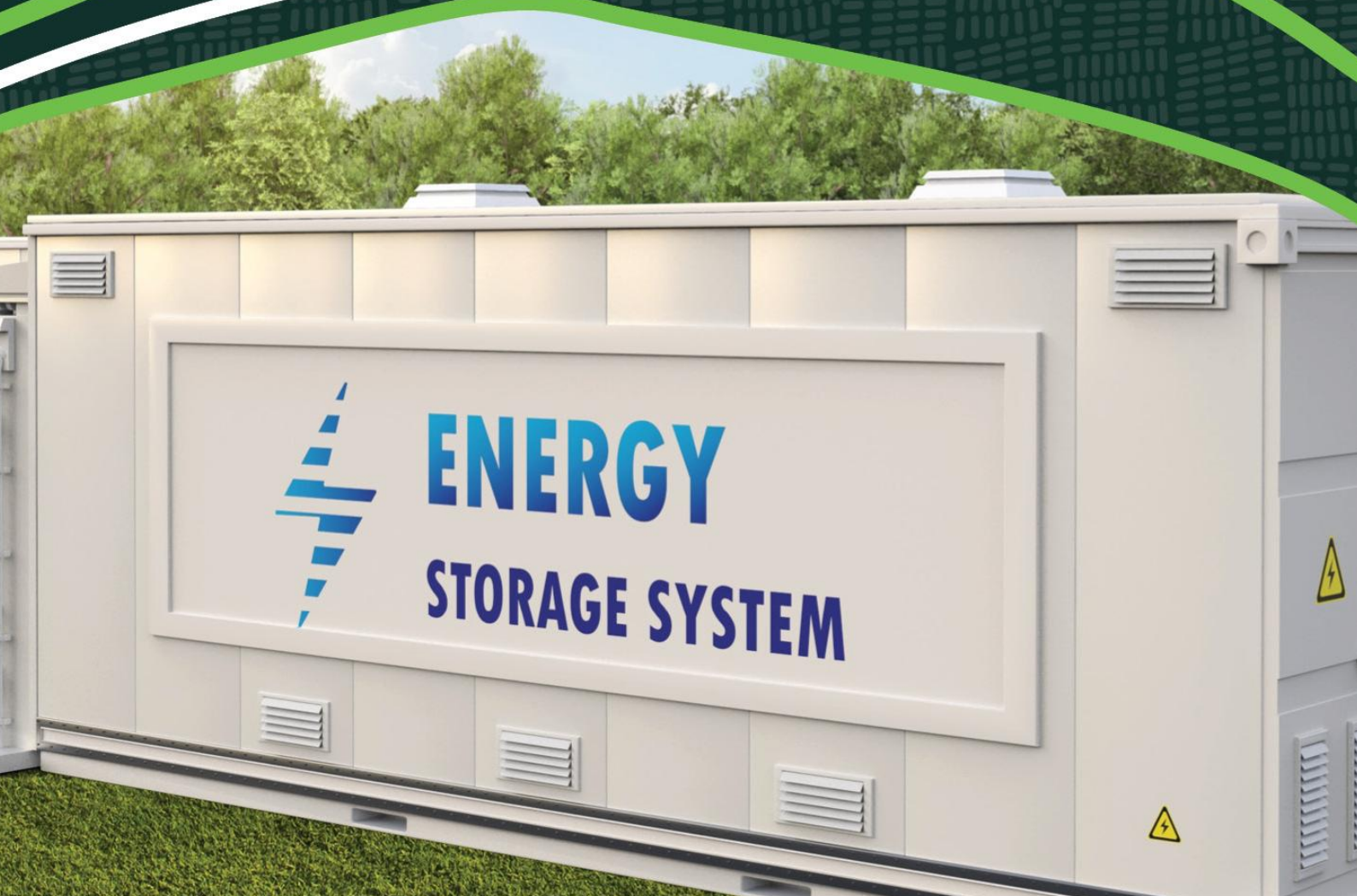
Department of Climate Change, Energy, the Environment and Water

Capacity Investment Scheme Tender 8: National Electricity Market – Dispatchable Capacity

MC1 Market Briefing Note

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

November 2025



Introduction

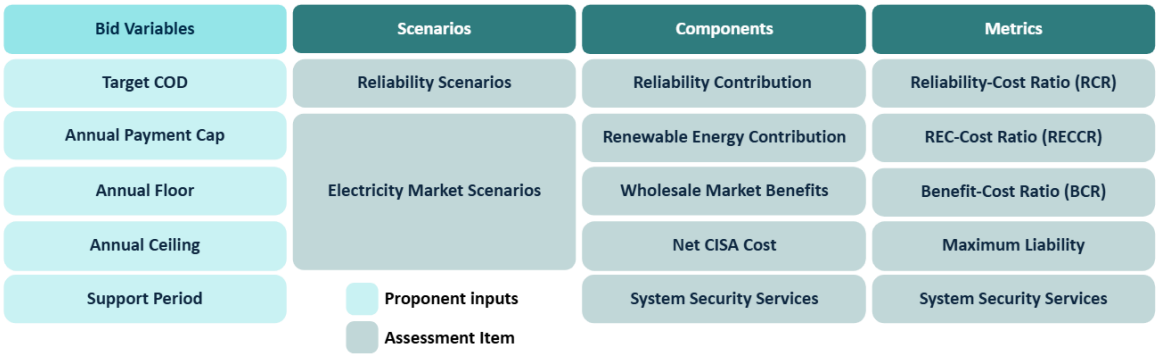
This Market Briefing Note sets out information relating to the evaluation of Merit Criterion (**MC**) 1 – *Financial value, system reliability and system benefits* in the Capacity Investment Scheme (**CIS**) Tender 8 – National Electricity Market (**NEM**) Dispatchable Capacity (**Tender Process** or **Tender 8**).

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 are Bids assessed – In the MC1 evaluation, cost and benefits are forecast through five Components: Reliability Contribution, Renewable Energy Contribution, Wholesale Market Benefits, Net CISA Cost and System Security Services (collectively '**Components'**). Components are then modelled across Electricity Market Scenarios and Reliability Scenarios (collectively '**Scenarios'**) as relevant. System Security Services is not a modelled Component. 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 - Projects are expected to be assessed as higher merit if they can provide high Project Benefits, including in relation to Reliability Contribution, Renewable Energy Contribution, Wholesale Market Benefits and are capable of providing essential System Security Services, as outlined in Section 4.0. All else being equal, higher merit Bids are expected to have a relatively low Net CISA Cost.

What to provide - Proponents must provide Bid Variables, Project Parameters and System Security Services responses in the MC1 Returnable Schedule. As outlined in Section 5.0, Bids 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 contents 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 Components.
- Section 5.0 outlines the characteristics of a competitive Bid.
- Section 6.0 outlines the evaluation approach for Aggregated, Hybird and Staged Projects.

2.0 Tender Guidelines

This Market Briefing Note has been prepared to accompany the Tender Guidelines. 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 CIS NEM T8 Dispatchable Capacity Tender Process

3.1. Objectives

The Policy Objectives for the CIS NEM Dispatchable Capacity Tender Process include:

- contribute to the delivery of an additional 40 GW of additional 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;
- show competitive bidding behaviour with low Annual Payment Caps, low Annual Floors, low Annual Ceilings and a shorter Support Period; and
- are capable of providing essential System Security Services benefits through technical configuration.

3.2. Components

Assessment of MC1 will involve consideration of Bids across five Components. A summary of these Components is provided in Table 1 below and described further in Section 4.0.

Projects that can demonstrate a higher value for Project Benefits, and a lower value for Net CISA Cost, may be considered higher merit. Project Parameters, such as a Project's location and storage capacity and duration, will be inputs into the model to best reflect the expected operating profile of different technologies and Projects. These Project-specific parameters will therefore affect the Project Benefits and Net CISA Cost.

Table 1: Components assessed in MC1

Components		Summary
Project Benefits	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 reflected 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.
	Renewable Energy Contribution	• Forecasts the Project's ability to increase the amount of renewable energy in the NEM by reducing curtailment and dispatching during periods that are expected to have the effect of displacing fossil fuels. • This is modelled using a single Scenario with a single focus year, as indicated in Table 2. See section 3.3 below. • For Tender 8, Proponents can opt[1] to be assessed for Network Capacity Support. If the Project demonstrates high merit in relation to Network Capacity Support, then this may result in a higher Renewable Energy Contribution score. See section 4.2.1 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.

[1] Projects do not need to participate in the Network Capacity Support Assessment to be considered high merit under the Renewable Energy Contribution Component or MC1.

Components		Summary
	System Security Services	• Assessment of the Project's ability to provide System Security Services. • System Security Services include system strength, voltage control, frequency management, synchronous or synthetic inertia, and black start capability. • Analysis will consider a Project's configuration and technical parameters.
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 each 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.

Modelled Project Benefits 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. The modelled Net CISA Costs is 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

The 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 modelled Component

Scenarios		Modelled Component			
		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 considered 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 (including the tender's overall objectives) and the probability of a Scenario occuring.

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 ASL. 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 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 build rates 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 the modelling approach used in AEMO's ESOO reports. Scenario assumptions will align with AEMO's 2025 Enhanced Locational Information Report[2], which considers different time horizons. Reliability Scenarios are designed to reflect different stages of the energy transition, as described below:

[2] https://www.aemo.com.au/-/media/files/electricity/nem/planning_and_forecasting/enhanced-locational-information/2025/2025-enhanced-locational-information-report.pdf

- **Near-term operating conditions**: with a focus on reducing reliability risks in near-term, noting the potential for delivery risk in upcoming transmission projects.
- **Medium-term operating conditions:** reflects 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 Components into comparable scores for assessment. The MC1 assessment is intended to result in higher MC1 scores for Bids which perform well against the Components and the Metrics listed in Table 3 below.

Table 3: Primary Components and Scoring Metrics for MC1 assessment

Component or Metric	Unit or ratio	Description	Direction of preference
Components			
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.	▲
Renewable Energy Contribution	**MWh**	Contribution to Renewable Energy in the NEM relative to a Counterfactual Case, reflecting a Project's ability to support increased renewable energy output. Projects can receive a marginal multiplier to their Renewable Energy Contribution Component score by patricipating in the Network Capacity Support Assessment, which considers a Project's credible potential to unlock additional renewable energy hosting capacity in a key network location beyond its normal market operations including the provision of Network Support Services.	▲
Wholesale Market Benefits	**$, net present value**	Reduction in NEM market costs relative to a Counterfactual Case, weighted across several Electricity Market Scenarios.	▲
System Security Services	**N/A**	Contribution to power system security, including system strength, voltage control, frequency management and system restoration.	▲

Component or Metric	Unit or ratio	Description	Direction of preference
Net CISA Costs	**$, net present value**	The net present value of forecast payments from the Australian Government under a CISA, weighted across Electricity Market Scenarios.	▼
Metrics			
Reliability-Cost Ratio (RCR)	**MW/$**	Scenario-Weighted Reliability Contribution per dollar of Scenario-Weighted Net CISA Cost ($, net present value). Considers both the Project's Reliability Contribution as well as its Scenario-Weighted Net CISA Cost.	▲
Renewable Energy Contribution-Cost Ratio (RECCR)	**Contribution /$**	Renewable Energy Contribution per dollar of Scenario-Weighted Net CISA Cost ($, net present value). Considers both the Project's Renewable Energy Contribution (which may include aNetwork Capacity Support multiplier)as well as its Scenario-Weighted Net CISA Cost.	▲
Benefit-Cost Ratio (BCR)	**Ratio**	Scenario-Weighted Wholesale Market Benefits per dollar ($, net present value) of Scenario-Weighted Net CISA Cost ($, net present value). Considers both Scenario-Weighted Wholesale Market Benefits and Scenario-Weighted Net CISA Cost.	▲
System Security Services	**N/A**	Contribution to power system security, including system strength, voltage control, frequency management and system restoration	▲
Maximum Liability	**$**	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 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's Parameters and the Bid Variables in the CISA may affect the Components.

4.1. Reliability Contribution

A key Policy Objective of the CIS is to support system reliability. Projects will be assessed on their ability to avoid or reduce potential unserved energy and therefore reducing reliability risks across the NEM in both the near-term and the medium-term. Analysis will be aligned with AEMO's 2025 Enhanced Locational Information Report. A Project's connection location is an important driver of reliability contribution, and Locational Reliability Factors are provided across the near-term and medium-term operating conditions within the 2025 ELI Report.

The Reliability Contribution for a Project is modelled as the difference in forecast unserved energy between the Project-Specific Case and the Counterfactual Case for the Reliability Scenarios. The Reliability Contribution for a Project 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 perfectly located, energy unlimited project of the same capacity.

Impact of Project Parameters / Bid Variables
Reliability Contribution is expected to be higher for Projects which: • Are located in strong areas of the network or in areas of the network which the Project is likely to contribute to the reduction of unserved energy. • are located close to load centres, or in locations that have relatively high Locational Reliability Factors in the 2025 ELI Report[3]; • are unlikely to be as constrained during times of high demand; • all else being equal, have a larger dispatch capacity (MW) and/or longer dispatch duration.

4.2. Renewable Energy Contribution

A key Policy Objective of the CIS is to help increase the share of renewable 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 operating profile that displaces more fossil fuel generation; • are located where they can minimise their own curtailment and that of other renewable energy projects; and • have more energy available to be dispatched during times of need. • demonstrate credible potential to unlock additional renewable energy hosting capacity in a key network location beyond normal market operations (optional)

[3] https://www.aemo.com.au/energy-systems/electricity/national-electricity-market-nem/nem-forecasting-and-planning/forecasting-and-planning-data/enhanced-locational-information

4.2.1. Network Capacity Support

Tender 8 offers an optional Network Capacity Support assessment to evaluate a Project's credible potential to unlock additional renewable energy hosting capacity in a key network location beyond its normal market operations including the provision of Network Support Services. A Project can be considered credible without having entered into or committed to a Network Support Services contract. Demonstrating merit in Network Capacity Support may result in a higher Renewable Energy Contribution score. However, the influence of this Network Capacity Support Assessment is limited such that Projects can still be considered high merit without participating in this optional Network Capacity Support assessment.

Categories for Network Capacity Support benefits

If the Proponent chooses to participate in the Network Capacity Support Assessment, the Project may be assessed on the Network Capacity Support benefits it provides, which could include one of:

- **Voltage support:** Manage local voltage and reactive power requirements to relax voltage constraints limiting dispatch. e.g. inject/absorb reactive power under system normal.
- **Remedial Action Scheme**: Fast acting response to disturbances, allowing relaxation of constraints associated with contingency events. e.g. System Integrity Protection Schemes (SIPS).
- **Grid forming**: Grid Forming (GFM) inverters allow additional renewable energy connections and/or stable operation. e.g. Efficient levels of system strength, synthetic inertia.
- **Time shifting**: Unlock significant capacity through non-commercial time-shifting. e.g. absorbing curtailed energy when spot prices are relatively high deferring/removing the need for network augmentation.

4.2.2. Assessment of Network Capacity Support

The qualitative Network Capacity Support Assessment is based on the credibility of the opportunity to unlock additional renewable capacity and the capability of the Project to unlock this capacity**.**

Credibility: Supporting evidence in the form of a Reference Document

The assessment focuses on a Proponent's submitted credible Network Capacity Support Reference Document (Reference Document). A Reference Document should:

- be a publicly available technical report from AEMO or the relevant NSP or Network Planner;
- be recent, currently relevant, and the latest edition;
- demonstrate an opportunity to unlock additional renewable energy hosting capacity at a specific location in the network; and
- reference the selected Network Capacity Support benefit.

Reference Documents may include, but are not limited to:

- AEMO's Electricity Network Options Report
- AEMO's System Security Planning Reports
- NSP or Network Planner annual technical reports (e.g. Transmission Annual Planning Reports)
- Regulatory Investment Tests

Reference Documents that demonstrate a clear opportunity for a specific Network Capacity Support benefit in a specific location are expected to receive a greater multiplier to their Renewable Energy Contribution Component for this assessment, as compared to Reference Documents that demonstrate a more general emerging need for investment in a specific location, which are expected to result in a lower multiplier to the Project's Renewable Energy Contribution Component. Unsuitable documents

are expected to receive no multiplier to the Project's Renewable Energy Contribution Component score.

Compatibility: Locational and technological ability to provide benefit

Proponents should demonstrate their project is compatible with providing the selected benefit based on their location and technology:

- Location: Project should be located in the specific network area referred to in the Reference Document where the Network Capacity Support benefit is identified
- Technology: The technology type and design of the Project should be compatible with the provision of the selected Network Capacity Support benefit (e.g. Projects offering inertia under the grid forming category should include grid-forming inverters)

4.3. 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 the cost of meeting NEM-wide demand (load cost) between the Project-Specific Case and 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, Battery Projects might provide Wholesale Market Benefits by reducing intraday price spreads and volatility through energy shifting, or by improving supply adequacy and reducing curtailment of low-cost generators during periods of excess renewable generation.

Impact of Project Parameters / Bid Variables
Wholesale Market Benefits are expected to be higher for Projects that: • can commit to an earlier COD Target Date[4] 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; • offer more energy to be dispatched during times of need; and • provide more years of benefits through longer asset lives for different technologies.

4.3.1. Calculating Wholesale Market Benefits

Dispatchable Capacity 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:

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

for each region in the NEM, all Scenarios 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;

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

- $\boldsymbol{ALC}$ is the annual load cost in a region and Scenario before the addition of the Project being assessed; and
- $\boldsymbol{ALC}'$ is the annual load cost in a region and Scenario after the addition of the Project being assessed.

4.4. System Security Services

Competitive Projects are expected to be capable of providing essential System Security Services, targeting the automatic access standard defined in the NER, or above typical capability, including contributing to system strength, voltage control, frequency management, and additional services such as system restoration support. A Project's configuration and technical parameters will be considered in its ability to provide System Security Services benefits.

Impact of Project Parameters / Bid Variables
Projects capable of providing System Security Services will be assessed favourably in MC1. Projects will be assessed on their ability to provide the following essential services: • system strength • voltage control • synchronous or synthetic inertia • frequency management • black start capability • other network services (e.g. System Integrity and Protection Scheme).

4.5. 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.

4.5.1. 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 dispatchable capacity Project including:

- revenue from Potential Energy Arbitrage Revenue (**PEAR**), from buying and selling energy in the electricity spot market; and
- the provision of regulation and contingency Frequency Control Ancillary Services (**FCAS**), as it may form a material component of a Project's NOR over time**.**

4.5.2. 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 Operator):[5]

$$Annual\ CISA\ Cashflows = \begin{cases} ASA, & if\ NOR_{year} < AF \\ 0, & if\ AF \leq NOR_{year} \leq AC \\ -ARS, & if\ NOR_{year} > AC \end{cases}$$

$$ASA = minimum\ (90\% \times (AF - NOR), APC)$$
$$ARS = minimum\ (50\% \times (NOR - AC), APC)$$

Where:[6]

- $\boldsymbol{NOR}$ is Net Operational Revenue, which is the modelled revenues for the Project.
- $\boldsymbol{ASA}$ is the Annual Support Amount payable under the CISA, if it is a positive amount by the Australian Government to the Project Operator.
- $\boldsymbol{ARS}$ is the Annual Revenue Sharing Amount payable under the CISA, if it is a negative amount by the Project Operator to the Australian Government.
- $\boldsymbol{AC}$ is the Annual Ceiling.
- $\boldsymbol{AF}$ is the Annual Floor.
- $\boldsymbol{APC}$ 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 Support Years , particularly those Bids which have an earlier Final Support End Date or exclude periods in which high support payments would otherwise be expected.

5.0 Impact of Project Parameters and Bid Variables

Project Parameters[7] 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

[5] 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.

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

[7] Certain Project Parameters may be standardised by technology type in the MC1 assessment (e.g., Operational Life).

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 lists various variables and their possible impact on MC1 assessment.

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 can reduce modelled CISA payments for Net CISA Cost and also reduce the Australian Government's maximum exposure to CISA Cost. 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 Operator.
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 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: • 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 modelled Components	A Project is expected to perform well across all modelled 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 a Project's competitiveness.
COD Target Date	Wholesale Market Benefits, Net CISA Cost	An earlier COD Target Date can make a Project more competitive. An early COD Target Date, gives greater opportunity for a Project to provide Wholesale Market Benefits and earn higher revenues which could in turn lower the Net CISA Cost.
Storage Capacity	All Components	A Project with a larger energy storage capacity (MWh) is expected to perform well across all

		Components and NOR in absolute terms, all else being equal.
Round-trip efficiency	All Components	Technologies that can operate more efficiently may have higher Project Benefits and achieve higher NOR.
Operational Life	Wholesale Market Benefits	Projects using technologies with a longer Operational Life have a longer period to provide Wholesale Market Benefits, improving a Project's competitiveness.
Inverter/Connection Technology	System Security Services	Projects intending to connect using synchronous machines or grid forming inverters may be viewed more favourably.
Generator Performance Standards	System Security Services	Projects intending to register for Generator Performance Standards under the Ideal Generator Performance Standards may be viewed more favourably.
Network Capacity Support	Renewable Energy Contribution	Projects that have elected to be assessed for Network Capacity Support and demonstrate higher merit will receive a higher Renewable Energy Contribution score

6.0 Aggregated, Hybrid and Staged Projects

Aggregated Projects

Aggregated Projects, as defined in the Tender Guidelines, are eligible to participate in the CIS NEM Tender 8. Note that Hybrid Projects and Staged Projects will not be considered as part of an Aggregated Project.

Under MC1, the assessment of Aggregated Projects will consider characteristics of both the overall Aggregated Project, as well as the individual Project Components. Proponents will need to provide further information in the Returnable Schedule that allows for Aggregated Projects to be modelled, including the locations and parameters of the Project Components to be aggregated.

Hybrid Projects

Hybrid Projects, as defined in the Tender Guidelines, are eligible to participate in this Tender 8 and will only be assessed on the basis of the dispatchable capacity Project (i.e. not considering any associated generation component). Hybrid Projects participating in Tender 7 (NEM Generation) are not eligible to participate in this Tender 8. Proponents should refer to the terms in the Proforma CISA applicable to Hybrid Projects and the Tender Guidelines.

Assessment of Staged Projects

Project Benefits and Net CISA Cost in MC1 will be assessed for the Project and Shared Infrastructure only and exclude the Existing Project.

Appendix 1 – Definitions

Term	Definition
AEMO	AEMO Limited, AusEnergy Services and ASL (as the context requires).
AEMO's Electricity Network Options Report (or 'ENOR')	Has the meaning given to that term in Section 4.2.1 of this Market Briefing Note.
Aggregated Project	Has the meaning given to that term in the Tender Guidelines.
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 the Proforma CISA.
Annual Revenue Floor	Has the meaning given to that term in the Proforma CISA.
Annual Revenue Sharing Amount	Has the meaning given to that term in the Proforma CISA.
Annual Support Amount	Has the meaning given to that term in the Proforma CISA.
ASL	AusEnergy Services Limited (ABN 59 651 198 364).
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 Variable or 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	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.
Electricity Market Scenarios (or 'Scenarios')	Has the meaning given to that term in Section 3.3 of this Market Briefing Note.
Energy Market Model	The model used to forecast each Project's impact on forecast power prices and Net Operational Revenue.
Electricity Statement of Opportunities (or 'ESOO')	AEMO's Electricity Statement of Opportunities.
FCAS or **Frequency Control Ancillary Services**	Has the meaning given to the term "market ancillary service" under the NER.
Final Support End Date	Has the meaning given to that term in the Proforma CISA.
Financial Value Metrics (or '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 and System Security Capability.
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.
Input Assumptions and Scenarios Report	This document relates to the inputs, assumptions and scenarios that AEMO proposes to use in its 2025-26 forecasting and planning activities.
Infrastructure Investment Objectives Report	The Infrastructure Investment Objectives Report providing a Development Pathway for the construction of generation, LDS and firming infrastructure in NSW over the next 20 years to achieve the NSW infrastructure investment objectives.
Low Scenario	Has the meaning given to that term in Section 3.3.1 of this Market Briefing Note.
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.
NEM	The National Electricity Market.
NER	Has the meaning given to that term in the Tender Guidelines.
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 4.5.1 of this Marekt Briefing Note.
Network Capacity Support	Has the meaning given to that term in the Tender Guidelines.
Network Capacity Support Assessment	Has the meaning given to that term in the Tender Guidelines.
Network Capacity Support Reference Document (or "Reference Document")	Has the meaning given to that term in Section 4.2.2 of this Market Briefing Note.

Term	Definition
Network Support Service or Network Support Services	Has the meaning given to that term in the Tender Guidelines.
NSP	Has the meaning given to that term in the Tender Guidelines.
Operational Life	Operational guarantee life of the Project facility.
PEAR or **Potential Energy Arbitrage Revenue**	Has the meaning given in Section 4.5.1 of this Market Briefing Note.
Policy Objectives	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 Components, including the Reliability Contribution, Renewable Energy Contribution and Wholesale Market Benefits and System Security Services.
Project Component	Has the meaning given to that term in the Tender Guidelines.
Project Operator	Has the meaning given to that term in the Proforma CISA.
Project Parameters	Has the meaning given to that term in the Proforma CISA.
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.
Reliability Contribution	A Component c 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	A Component used in the MC1 assesment to forecast a 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.
System Integrity and Protection Scheme (or 'SIPS')	An automatic control scheme designed to maintain power system security and prevent network failure.
System Security Services	A Component used in the MC1 assessment to measure a Project's ability to provide System Security Services.
Support Year	Has the meaning given to that term in the Proforma CISA.
Transmission Annual Planning Reports (or 'TAPRs')	Has the meaning given to that term in Section 4.2.1 of this Market Briefing Note.
Tender 8 or Tender Process	Has the meaning given to that term in the Tender Guidelines.
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.