

South Australian Firm Energy Reliability Mechanism Industry Feedback

ASL, on behalf of the South Australian Department for Energy and Mining, is seeking targeted feedback from existing and prospective conventional long duration capacity providers

Overview of the FERM and ASL's role

The South Australian (SA) Firm Energy Reliability Mechanism (FERM) aims to provide long duration dispatchable electricity capacity to ensure secure, reliable and affordable electricity supply for South Australia.

ASL is the independent Scheme Administrator for the FERM and is responsible for administering competitive tender processes as directed by the South Australian Minister for Energy and Mining (the Minister).

In September 2025, the Minister established a Firm Energy Target (FET) for SA of 2,300 MW for the period 2026-27 to 2030-31. ASL was subsequently directed to undertake Tender Round 1 to assist in meeting the FET.

Tender 1 process and outcomes

FERM Tender 1 was launched in October 2025, seeking up to 700 MW of long-duration capacity across three target commercial operation dates of:

- 400 MW by 1 November 2028;
- 200 MW by 1 November 2029; and
- 100 MW by 1 November 2031.

Bids were received from both BESS and gas-powered generators across various dispatch durations.

Successful outcomes for FERM Tender 1 were [announced](#) in May 2026. Six projects were awarded Firm Energy Reliability Mechanism Agreements (FERMAs), representing:

- 1,334 MW / 5,336 MWh of nameplate capacity; and
- 517 MW / 4,136 MWh of committed output capacity.

All successful projects were lithium-ion battery projects, with 375 MW scheduled to be delivered by November 2028 and 142 MW by November 2029.

Bids were received for Tender Category 3 but did not demonstrate sufficient merit to be awarded in Tender Round 1.

Purpose of this feedback process

This document supports targeted market engagement following FERM Tender 1.

ASL, on behalf of the Department for Energy and Mining, is seeking feedback from existing and prospective conventional long duration capacity providers to better understand the factors influencing investment in projects and participation in the SA FERM scheme.

Feedback from this process will be provided to the Department for Energy and Mining for consideration as the decision maker on policy design and key tender parameters.

The FERMA

The FERMA provides a mechanism to underwrite a portion of a Project's annual Net Revenue, promoting financial certainty and incentivising reliable operational performance. The FERMA includes:

- a financial mechanism for **annual Scheme Payments** when Net Revenue falls below a pre-agreed Revenue Floor, with the Scheme Payment being limited to the Payment Cap;
- an **Upside Payment obligation** when Net Revenue exceeds the Revenue Floor, with the Upside Payment being limited by the lesser of the Revenue Sharing Cap plus (if applicable) the Fuel Reimbursement, or the cumulative balance of previous payments;
- a **Capacity Commitment** that incentivises the Facility to be online and available during critical periods of system stress and need; and
- for conventional (i.e. fuel-based) generators only, a volume-capped **Fuel Reimbursement** of deemed fuel costs as determined under a Fuel Cost Determination.

The FERMA from Tender 1 is available on [ASL's website](#) and we have provided a summary of key terms in Appendix A.

Key areas for feedback

Targeted feedback is being sought on the key design aspects of the tender process and FERMA, outlined below.

General

1. What are the greatest challenges to investing in new conventional long duration capacity facilities in South Australia?
2. For your most progressed conventional long duration capacity facility, what is the earliest target COD you would be able to commit to under a FERMA?
3. With respect to conventional long duration capacity facilities, did any specific challenges prevent you from participating in Tender Round 1, or are there any that may prevent you from participating in future FERM tenders if not addressed?
4. Do you have any other feedback on the design of the tender process?

FERMA

5. Does the net revenue model underpinning the FERMA provide adequate support to overcome challenges in investment for conventional long duration capacity facilities?
6. Does the approach to Fuel Reimbursement for gas generators fairly allocate fuel price risks between Facilities and the FV? Does the Fuel Reimbursement model pose any particular concerns?
7. Does the FERMA encourage you to seek market offtake/contract opportunities and to contribute to market liquidity, aligned with your understanding of the current and future revenue stack for conventional long duration capacity facilities?
8. Do the performance obligations with respect to LOR2, 3 events pose any particular concerns for conventional long duration capacity facilities?
9. Additional to the items above, are there any other key areas within the FERMA that pose material bankability challenges? Are any of these concerns specific to conventional long duration capacity facilities?
10. Do you have any other feedback on the FERMA?

How your feedback will be used

ASL will provide a summary of industry feedback to the Department for Energy and Mining. ASL may also provide a summary of the feedback to industry.

Please mark any information that you do not wish for ASL to include in any summaries we share with the Department for Energy and Mining or industry as CONFIDENTIAL.

Providing feedback

Existing or prospective conventional long duration capacity providers wishing to provide written feedback should do so via engagement@asl.org.au by **1st July 2026**.

Important notice

Disclaimer

This document does not constitute legal or business advice, and should not be relied on as a substitute for obtaining detailed advice about the National Electricity (South Australia) (Firm Energy Reliability and Orderly Exit Management) Regulations 2025, National Electricity Law, the National Electricity Rules, or any other applicable laws, regulations, procedures or policies.

AusEnergy Services Limited (ASL) has made every effort to ensure the quality of the information in this document but cannot guarantee the completeness, accuracy, adequacy or currency of that information. Accordingly, to the maximum extent permitted by law, ASL and its officers, employees and consultants involved in the preparation of this document:

- make no representation or warranty, express or implied, as to the currency, accuracy, reliability or completeness of the information in this document; and
- are not liable (whether by reason of negligence or otherwise) for any statements or representations in this document, or any omissions from it, or for any use or reliance on the information in it.

Copyright

© 2026 AusEnergy Services Limited.

APPENDIX A – FERMA key terms

The below table provides a summary of key terms of the FERMA. The FERMA from Tender 1 is available on [ASL's website](#).

Key Term	Description
Bid Terms	
Revenue Floor	The net revenue threshold (in \$/year) which determines whether Scheme Payments or Upside Payments are payable, and also the amount of such payments.
Payment Cap	The maximum amount (\$/year) of Scheme Payments to be paid by the FV to the LDCP in any Operational Year.
Revenue Sharing Cap	- The maximum amount (\$/year) of Upside Payments to be paid by LDCP to the FV in any Operational Year. - The Revenue Sharing Cap must be the same as the Payment Cap.
Required COD	The date by which the LDCP must achieve COD for the Project.
Committed Output Capacity	- The required capability of the Facility (MW), in aggregate of any bidirectional and conventional units, to dispatch power into the NEM through the connection point at any given time. - This may be less than the total export capability of the Facility.
Committed Storage Capacity (bidirectional)	- The amount of storage capacity (MWh) for all bidirectional units in the Facility in excess of (if applicable) the minimum state of charge and disregarding degradation which occurs over time. - Must not be less than the committed bidirectional power capacity multiplied by 8.
Key Commercial Terms	
Operational Period	- The period commencing on the later of: - COD; and - the Target COD for the relevant Tender Category, and ending on the date that is 15 years after the Target COD for the relevant Tender Category. - Aside from any initial stub year that may be created if COD occurs after the Target COD, it is intended that all Operational Years will run for 12 month periods from 1 November to 31 October.
Scheme Payments	- If Net Revenue is below the Revenue Floor, Scheme Payments will be calculated as: $90\% \times (\text{Revenue Floor} - \text{Net Revenue})$. - The Scheme Payment for an Operational Year is capped at the Payment Cap.
Upside Payment	- If Net Revenue exceeds the Revenue Floor, the Upside Payment will be calculated as: $50\% \times (\text{Net Revenue} - \text{Revenue Floor})$. - The Upside Payment for an Operational Year is capped at the lesser of the Revenue Sharing Cap plus the Fuel Reimbursement for that year; or the Cumulative Balance (i.e. the cumulative balance of previous payment to the LDCP under the FERMA).
Fuel Reimbursement (conventional generators only, such as gas)	- For conventional (i.e. fuel-based) generators only, a volume-capped Fuel Reimbursement will be determined based on a Fuel Price Determination made for each LDCP by the Scheme Regulator on a rolling three-year basis based on supplied information (e.g. anticipated fuel requirements, contracts entered into etc.). - The Fuel Reimbursement is designed to cover both volumetric and fixed costs associated with contracting gas supply. - The Fuel Reimbursement (FR_n) = $FP_{var,n} \times HR \times CUGV_n + FP_{cons,n}$, where: FR_n is the Fuel Reimbursement for the relevant Operational Year. $FP_{var,n}$ any variable component of the Fuel Price in the Fuel Price Determination (\$/GJ) HR is the heat rate nominated by the Proponent in item 14 of the Reference Schedule in the FERMA. $CUGV_n$ is the total energy (MWh) dispatched into the NEM by any conventional generating units included in the Facility during the relevant Operational Year. $FP_{cons,n}$ is any fixed component of the Fuel Price in the Fuel Price Determination (\$/year) - The volume of fuel that is subject to the Fuel Reimbursement is subject to a volume cap as follows: - If $(HR \times CUGV)$ for an Operational Year is greater than the FR Quantity Cap for the Operational Year (as calculated below), then $(HR \times CUGV)$ will be an amount equal to that FR Quantity Cap: $FR \text{ Quantity Cap}_n = 0.5 \times NR_n \times H_n$, where

Key Term	Description
	▪ NR_n is the total nameplate capacity of the Facility's conventional generating units for the relevant Operational Year. ▪ H_n is the number of hours in the Operational year. ○ Any excess Fuel Reimbursement above the volume cap will be included as a Permitted Cost. • Where a Fuel Price Determination has not been made for an Operational Year (due to no fault or omission of the LDCP), the elements of the Fuel Price Determination are determined as follows: ○ $FP_{var,n}$ is equal to the time weighted average ex-ante price at the Adelaide Hub of the STTM over the Operational Year (expressed in \$/GJ). ○ $FP_{cons,n}$ is the actual costs incurred for haulage over the Operational Year that are attributable to efficient and prudent LDCP operations, divided by the quantity of fuel consumed by the Facility in the Operational Year, and expressed in \$/GJ. • The AER consulted on Draft FERM Schedule Regulator guidelines in May 2026.
Net Revenue	• Net Revenue will be calculated as: <i>Operational Revenue - Permitted Costs</i>
Operational Revenue	• Intended to cover most revenue streams derived from the Facility that are received by the LDCP. This would include gross revenue generated through the wholesale energy market, ancillary markets, network support, any future emerging markets and any other eligible contracts.
Permitted Cost	• Intended as a list of specific costs that includes gross costs of importing electricity, ancillary services, NER costs and payments under eligible contracts. • Fuel costs (e.g. gas fuel costs for a gas generator) are primarily addressed through the volume-capped Fuel Reimbursement, with only volumes exceeding that cap being included as Permitted Costs (at the determined Fuel Price).
Storage and Availability Obligations	• The LDCP must meet defined performance measures and pay the FV: ○ an Availability Rebate if the actual availability of the Facility across an Operational Year is less than the required availability threshold. ○ a Storage Rebate if the tested storage capacity is less than the committed storage capacity. • If LDCP is liable for both a storage rebate and availability rebate in the same Operational Year, then only the highest rebate will apply.
Capacity Commitment	• The LDCP must ensure that the actual capacity of the Facility is equal to at least the Committed Output Capacity during compliance periods, subject to certain relief events. The Facility must maintain this actual capacity for 8 hours or until the compliance period ends, whichever occurs earlier. • Compliance periods are defined as Forecast Lack of Reserve (LOR) 2 and LOR 3 events in the South Australian region of the NEM. • The LDCP must comply with the capacity requirement if it received this minimum notice period ahead of the compliance period commencing. The LOR Notice Period for all technology types is 6 hours. • A failure to comply with the Capacity Commitment (on one or more occasion) can give rise to civil penalties under the FERM Regulations or contractual remedies for breach of an obligation, including termination of the FERMA.
Market Liquidity Obligations	• The LDCP must meet MLO(s) to be published in the Minister's Guidelines published on the South Australia Department of Energy and Mining website, as applicable. • The South Australia Department of Energy and Mining undertook a consultation process on the FERM Market Liquidity Obligations in Q1 2026.