

# South Australia FERM Tender

## Market brief on Tender Round 1

**Firm Energy Reliability Mechanism (FERM) Tender Round 1 will seek bids for long duration capacity projects capable of providing secure, reliable and affordable electricity supply for South Australia.**

### Overview

The South Australian Minister for Energy and Mining (**Minister**) has appointed AusEnergy Services Limited (**ASL**) as the Scheme Administrator and directed ASL to undertake FERM Tender Round 1.

This pre-tender market brief provides indicative information only and is based on the Minister’s Tender direction to ASL. Full details including eligibility and bid assessment criteria will be published in the Tender Guidelines at the commencement date of the Tender.

### Context

The FERM scheme provides the framework for contracting capacity through competitive Tenders to help meet South Australia’s Firm Energy Target (**FET**).

FERM Tender Round 1 will seek bids from long duration capacity providers (**LDCPs** or **Proponents**) to help enable secure, reliable and affordable electricity supply for South Australia.

### Tender process & timing

#### Process overview

Tender Round 1 will be a single-stage process, with key phases summarised below:

- Proponents register to participate in the Tender.
- Proponents submit a binding, single bid response that includes all required returnable schedules and the Tender process bond.
- Bids that satisfy the eligibility criteria will be assessed and scored against the bid assessment

criteria. Proponents are required to provide evidence to support their responses to each of the bid assessment criteria.

- Following the conclusion of the bid assessment, the Scheme Administrator may enter negotiations with shortlisted Proponent(s).
- The Scheme Administrator may recommend bids to the Financial Vehicle (**FV**) for execution of the FERM agreement (**FERMA**).

#### Timing

Key indicative dates are provided in Table 1. Tender Guidelines will be published at the commencement of the Tender in October 2025.

**Table 1: Key indicative dates**

<b>Tender launch</b>	Late October 2025
<b>Registration closing date</b>	Mid November 2025
<b>Bid closing date</b>	Late November 2025
<b>Announce successful bids &amp; contract execution</b>	March / April 2026

#### Q&A process

An online question-and-answer (**Q&A**) period will open at the commencement of the Tender and is expected to close five business days before the bid closing date.

## Key Tender considerations

### Location, project size, and technology

Projects must connect to the SA region of the NEM. Proponents must also show that a connection process has commenced, whether through an options report, enquiry, or application to connect.

Facilities are required to have a minimum registered capacity of 30 MW and be capable of dispatching at its maximum capacity, for at least eight continuous hours.

The Tender is open to a range of technologies with examples being gas power plants and batteries. Coal and nuclear technologies are not eligible.

### Tender categories and targets

To support meeting the FET, this Tender will comprise three Tender categories. Proponents must nominate a commercial operations date (**COD**) for their project, that is on or before a target COD in Table 2.

The Tender targets apply to the total amount of capacity recommended for award in Tender Round 1.

Tender category 1 is a key priority. Bids that qualify for this category and offer competitive terms ready for acceptance may enter an accelerated award process.

**Table 2: Tender targets**

Tender category	Target COD	Tender target
1	1/11/2028	400 MW
2	1/11/2029	200 MW
3	1/11/2031	100 MW

## Bid assessment criteria

The bid assessment criteria (**BAC**) considered as part of the assessment process are provided in Table 3. The Tender Guidelines will include further detail on the factors considered for each BAC.

**Table 3: SA FERM Tender 1 bid assessment criteria**

BAC		Objective
BAC 1	Project deliverability and timeline	Assessment on milestone progress and plan to reach COD by the relevant Target COD. Includes assessment of project development plans, network connections, planning approvals and land tenure.
BAC 2	Organisational and financing capability	Assessment of relevant capability and experience, proposed delivery model, development funding and financing strategy.
BAC 3	Financial value	Assessment of forecast cost and potential cost exposure of the FERMA, as well as benefits of the project to system reliability and system security, and reducing wholesale electricity market prices.
BAC 4	Commercial departures	Assessment of the nature and impact of any commercial departures from the proforma FERMA documents.

## Key bid variables & commercial terms

The Department for Energy and Mining provided ASL with a draft proforma FERMA published on ASL’s website [here](#). This is an indicative document and is subject to any modifications ASL considers reasonably necessary prior to Tender launch.

The proforma Project Documents to be completed and executed by successful Proponents will be released at or shortly after the commencement of the Tender. This includes the FERMA which outlines performance obligations and the financial support mechanism that the FV provides to successful Proponents. The FERMA is expected to provide:

- 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 reimbursement of Fuel Costs (for fuel-based generators) or the cumulative balance of previous payments;
- flexibility for Proponents to nominate Excluded Operational Years; and
- annual escalation of lesser of CPI and 3% on the Revenue Floor, Payment Cap, and Revenue Sharing Cap.

Please note the Example Payment Scenarios at the end of this document for simplified examples of the Scheme and Upside Payment calculations.

Proponents are required to nominate bid variables for their project. These are assessed under BAC 3 – Financial value and they form the terms of support under a FERMA. Key bid variables and commercial terms are outlined in the table below.

**Table 4: Key bid variables and commercial terms**

Key terms	Description
<b>Bid variables</b>	
<b>Revenue Floor</b>	The revenue threshold which determines whether Scheme Payments or Upside Payments are triggered.
<b>Payment Cap</b>	The maximum amount of Scheme Payments (in \$/year) to be paid by the FV to the LDCP in any Operational Year.
<b>Revenue Sharing Cap</b>	The maximum amount of Upside Payments (in \$/year) to be paid by LDCP to the FV in any Operational Year. The Tender Guidelines may require that this is an amount equal to the Payment Cap.
<b>Target COD</b>	The target date for the LDCP to achieve commercial operations for the project.
<b>Excluded Operational Years</b>	Financial Years during the contract term where Scheme Payments are not payable.
<b>Other key commercial terms</b>	
<b>Contract term</b>	15 years
<b>Scheme Payments</b>	<p>If Net Revenue is below the Revenue Floor:</p> <ul style="list-style-type: none"> <li>• Scheme Payments will be calculated as: <math>90\% \times [\text{Revenue Floor} - (\text{Operational Revenue} - \text{Permitted Costs})]</math>; and</li> <li>• no Upside Payment is payable.</li> </ul> <p>The Scheme Payment for an Operational Year is capped at the Payment Cap.</p>
<b>Upside Payment</b>	<p>If Net Revenue exceeds the Revenue Floor:</p> <ul style="list-style-type: none"> <li>• Upside Payment will be calculated as: <math>50\% \times [(\text{Operational Revenue} - \text{Permitted Costs}) - \text{Revenue Floor}]</math></li> <li>• Where the Upside Payment is calculated to be less than zero, no Upside Payment is payable.</li> </ul> <p>The Upside Payment for an Operational Year is capped at the lesser of the Revenue Sharing Cap plus reimbursement of Fuel Costs or the cumulative balance of previous payment to the LDCP.</p>

<b>Net Revenue</b>	Net Revenue will be calculated as: Operational revenue - Permitted Costs
<b>Operational Revenue</b>	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.
<b>Permitted Cost</b>	Intended as an exclusive list of costs that includes gross costs of importing electricity, ancillary services, NER costs and payments under eligible contracts. Note that fuel costs (e.g. gas fuel costs for a gas generator) are not included as a Permitted Cost as this is addressed in Fuel Costs.
<b>Fuel Costs (conventional generators only, such as gas)</b>	For conventional generators only, Fuel Costs will be determined based on a Fuel Price Determination made by the Scheme Regulator in accordance with the applicable guideline published pursuant to the FERM Regulations and the LDCP's heat rate (bid parameter). Fuel Costs are expected to be a pass-through and will be paid to the LDCP by the FV. For bidirectional facilities, such as batteries, the costs in relation to the import of electricity is included as a Permitted Cost, and the concept of Fuel Costs will not be applicable. The Tender Guidelines will provide more details on how Fuel Costs are anticipated to be determined.
<b>Performance rebates</b>	
<b>Availability Rebate</b>	This rebate applies where the actual availability of the Facility across an Operational Year is less than the required availability threshold. <b>Rebate</b> = Scheme Payment × (Required Availability % – Actual Availability %). Subject to adjustments for Force Majeure and Major Loss Events.
<b>Storage Rebate</b>	The storage rebate applies only to bidirectional facilities where tested storage capacity is less than the committed storage capacity. <b>Rebate</b> = Scheme Payment × Storage Rebate Percentage. <b>Storage Rebate Percentage</b> = (Committed Storage – Minimum State of Charge – Tested Storage) / (Committed Storage – Minimum State of Charge). 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 *National Electricity (South Australia) (Firm Energy Reliability and Orderly Exit Management) Regulations 2025* requires that a party to a FERMA must comply with a Capacity Commitment specified in the FERMA. This Capacity Commitment is designed to ensure that the Facility provides long duration dispatchable electricity capacity to the system during periods of highest need.

**Table 5: Capacity Commitment**

Obligation	Description
<b>Capacity requirement</b>	The LDCP must ensure that the actual capacity of the Facility is equal to at least the committed capacity during compliance periods, subject to certain relief events. The Facility must maintain this available capacity for 8 hours or until the compliance period ends, whichever occurs earlier.
<b>Compliance intervals</b>	Forecasted LOR 2 and LOR 3 events in the SA region
<b>Minimum notice period</b>	The LDCP must comply with the capacity requirement if it received the minimum notice ahead of the compliance period commencing.

	<p>The minimum notice period is:</p> <ul style="list-style-type: none"> <li>• For conventional facilities: 6 hours.</li> <li>• For bidirectional facilities: to be determined by Tender launch but will not be greater than 12 hours.</li> </ul>
<b>Consequence for failure to comply</b>	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 Obligation

The FERM Regulations require that certain entities must comply with any market liquidity obligation (**MLO**) to be published in the Ministerial Guidelines, as applicable.

The Tender Guidelines will set out certain characteristics relating to the MLO that Proponents should assume in making their bid.

## FV Appointment

As of the date of publication, ASL, as the Scheme Administrator, is in the process of appointing a Financial Vehicle in accordance with Regulation 9(3) of the SA FERM Regulations. This appointment may be subject to the Financial Vehicle obtaining certain third-party approvals or exemptions.

## Example Payment Scenarios

The figure below demonstrates four examples of payment outcomes across a range of potential Net Revenues. This is provided for demonstration purposes only and is indicative. Proponents should refer to the proforma FERMA that is anticipated to be published with the Tender Guidelines for the details of the payment mechanism.

The examples are provided:

- as if they are applied only to a single Operational Year;
- with Bid Variables that are consistent across all examples; and
- with Net Revenue assumed to be inclusive of Permitted Costs.

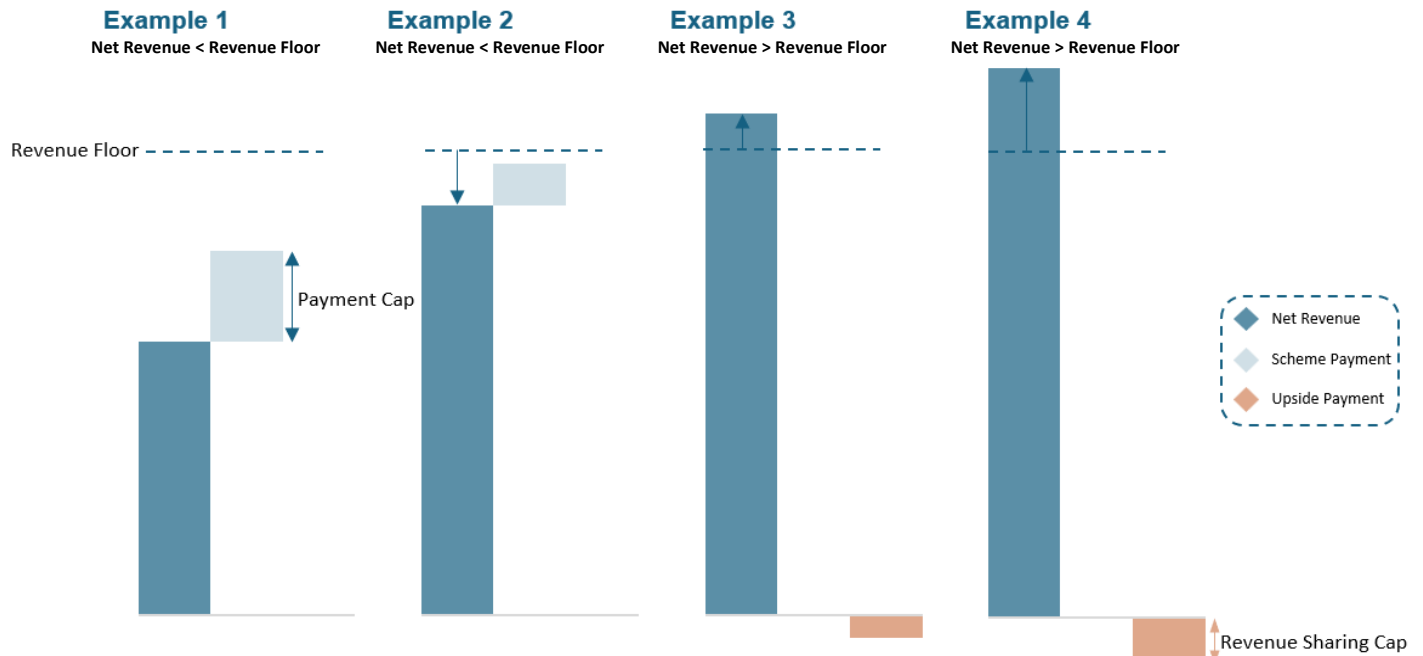
These examples were developed to reflect example payments for bidirectional units. The treatment of Fuel Costs for conventional generators, such as gas, are dealt with separately and are not shown in these examples. It is expected that the Fuel Cost provision would allow for a pass through of Fuel Costs based on the Fuel Price Determination.

In [Figure 1](#), the Revenue Floor is shown as a dotted blue line. The Payment Cap, which limits the potential Scheme Payments, is shown as a line between two arrows indicating the value of Payment Cap. The Revenue Sharing Cap is shown as a separate line between two arrows, indicating the value of Revenue Sharing Cap. Revenue Sharing Cap limits the Upside Payment from FV to LDCP.

The examples are intended to show how:

- Scheme Payments occur when Net Revenue falls below the Revenue Floor, with the Scheme Payment being limited by the Payment Cap; and
- Upside Payment obligations occurs when Net Revenue exceeds the Revenue Floor, with the Upside Payment being limited by the lesser of the Revenue Sharing Cap (for a bi-directional unit) or the cumulative balance of previous payments.

Figure 1: Four example payment scenarios



**Note:** These examples are designed for bidirectional units. Payments for conventional generators would also consider Fuel Costs.

For the example years shown above:

- **In example 1**, the LDCP's Net Revenues are sufficiently below the Revenue Floor that the full Payment Cap is paid as Scheme Payments.
- **In example 2**, the LDCP earns more Net Revenue than in example 1 but Net Revenue is still below the Revenue Floor. The LDCP is paid lower Scheme Payments than in example 1, and the Scheme Payments are less than the Payment Cap. Scheme Payments are calculated to be 90% of the shortfall between Revenue Floor and Net Revenue.
- **In example 3**, the LDCP earns Net Revenue above the Revenue Floor and is required to make an Upside Payment that is 50% of the surplus of Net Revenue above the Revenue Floor. The Upside Payment is capped by the lesser of the Revenue Sharing Cap or Cumulative Balance. In this example, the Upside Payment is less than the Revenue Sharing Cap, and the Cumulative Balance is assumed to be at least equal to the calculated Upside Payment.
- **In example 4**, the LDCP earns higher Net Revenue than in example 3 and Net Revenue is above the Revenue Floor. It may be required to make an Upside Payment that is 50% of the surplus of Net Revenue above the Revenue Floor. The Upside Payment is capped by the lesser of the Revenue Sharing Cap or Cumulative Balance. In this example, the Upside Payment is equal to the Revenue Sharing Cap, and the Cumulative Balance is assumed to be at least equal to the calculated Upside Payment.

## More Information

Further information on Tender Round 1 will be made available on [ASL's website](#). Proponents may also contact us at [SAFERM.Tender1@asl.org.au](mailto:SAFERM.Tender1@asl.org.au) to request a meeting before the opening of the Tender.

ASL will host an industry briefing after the Tender launches, where interested Proponents will be able to register to attend. An online Q&A function will provide registered bidders the opportunity to pose questions or seek clarification with responses updated on ASL's Tender webpage while Tender registrations are open.

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This publication has been prepared using information available at 8 October 2025 and does not include any changes since the date of publication.