

GRID SCALE STORAGE FUND

INVESTMENT GUIDELINES

Affordable, reliable power for
all South Australians.



Government
of South Australia
Department for
Energy and Mining



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1. INTRODUCTION

South Australia's energy mix is transitioning to a clean energy supply highlighted by the rapid penetration of wind and solar generation. There are now more than 2,000 MW of large-scale renewable generation projects fully operational in South Australia. Around 500 MW of large scale generation projects are currently under construction whilst approximately 9,500 MW remains at various other stages in South Australia's development pipeline. This is further enhanced by nearly 1,000 MW of solar PV installed behind-the-meter.

This transition has been driven by a range of factors including the national Renewable Energy Target, the falling cost of technology, recognition of the world class set of renewable resources found in South Australia, higher gas prices and the exit of coal from the South Australian market.

The South Australian Government supports this transition but realises the need for it to be undertaken in an orderly manner to ensure South Australian energy consumers are provided with an electricity supply that is affordable, reliable and secure.

The South Australian Government is focussed on delivering specific and realistic actions to achieve this outcome. One of the ways this can be achieved is through incentivising the deployment of additional energy storage technologies to directly impact some of the existing challenges affecting South Australia's power system. Applicable technologies could include, for example, batteries with synchronous condensers, pumped hydro, compressed air, hydrogen fuel cells, hydrogen turbines, biogas turbines, solar-thermal and thermal storage.

The Grid Scale Storage Fund (Fund) is one of the key components of the South Australian Government's comprehensive energy policy. It builds on previous initiatives undertaken by State and Commonwealth Governments aimed at strengthening the grid. It complements South

Australia's [Home Battery Scheme](#) as well as the other pillars of the Government's energy policy – interconnection and demand management.

The Fund will help accelerate the deployment of new grid-scale energy storage infrastructure assets capable of addressing the intermittency of South Australia's electricity system.

The Fund will specifically target projects that address key unaddressed challenges that are having cost impacts on South Australia's power system now and into the future. These include:

- low system strength¹
- a lack of dispatchable generation during peak periods
- decreased reliability at fringe-of-grid locations in regional South Australia.

As well as improving affordability, reliability and security of electricity supply, investments by the Fund are also expected to bring about broader community benefits such as job creation and local industry development.

The Fund will have a total value of \$50 million that will be disbursed as grant funding in a single round and will not be available to new Applicants once the Fund is closed. Shortlisted Proposals may be eligible for co-funding from the Australian Renewable Energy Agency (ARENA). ARENA will assess any Proposals under its [ARENA Advancing Renewables Program](#) (ARP).

The Fund will be administered by the South Australian Department for Energy and Mining (DEM) with oversight from an internal steering committee (Committee).

¹ AEMO's 2018 Integrated System Plan confirms low system strength in 2018-19 for South Australia that is likely to further weaken in future years based on forecast retirement of synchronous generation.

These Investment Guidelines (Guidelines) provide guidance for Applicants submitting a Proposal for an investment from the Fund by describing:

- objectives of the Fund
- method of investing
- investment streams

- essential eligibility criteria
- Proposal assessment
- how to submit a Proposal.

The South Australian Government reserves the right to vary these Guidelines as appropriate.

2. OBJECTIVES OF THE FUND

The objectives of the Fund are to:

- catalyse private sector investments in grid-scale storage infrastructure assets within the State that will deliver improved affordability, reliability and security outcomes to South Australian electricity consumers. This will occur through positive contributions towards one or more of:
 - improved system security including:
 - inertia
 - short-circuit current ratio at point of connection (as a measure of system strength)
 - fast frequency response
 - firming generation
 - increasing competition in the electricity market
 - utilisation of intermittent renewables by embedding storage in the distribution or transmission network
 - improving reliability in regional South Australia.
- demonstrate a new or substantially improved technological application and contribute to improving the economics of storage technologies.

To achieve these objectives the Government will:

- assess Proposals received and determine whether to invest in one or more Investment Opportunities
- identify and pursue investment opportunities with ARENA, and other Commonwealth and private sector investors, where appropriate.

Preference will be given to Proposals that demonstrate the ability to achieve financial close by 31 December 2019.

3. METHOD OF INVESTING

3.1 Grant Funding from the Fund

Grant funding may be provided:

- in a phased approach, based on the achievement of pre-agreed performance metrics that will contribute towards the South Australian Government's affordability, reliability and security objectives (for example, operational performance metrics that provide a new revenue stream for services not currently rewarded by the energy market, such as for the provision of inertia), or
- in another form at the discretion of the South Australian Government.

The South Australian Government will give consideration to all grant funding requests in eligible Proposals, but has a preference for supporting Proposals seeking funding support linked to operational performance.

Failure to maintain agreed targets or performance levels may result in a request for all or part of the grant to be repaid.

3.2 Potential for funding from ARENA

Applicants are able to seek co-funding from ARENA's Advanced Renewables Program (ARP). Further information about the ARP is available from <https://arena.gov.au/funding/programs/advancing-renewables-program/>

Applicants wishing to seek co-funding from both the Fund and the ARP will need to submit separate applications to the Fund and the ARP.

The [Proposal Template](#) developed for the Fund has been designed to align with the informational requirements of the ARP to support efficient application processes for proponents seeking to apply to both.

Please refer to Section 7 of these Guidelines for instructions on how to apply to the Fund.

Applications to the ARP must follow the instructions at <https://arena.gov.au/funding/programs/advancing-renewables-program/>

Applicants seeking their Proposal to be considered for co-funding from ARENA must, if they have not done so already, submit an ARENA ARP application by no later than 5pm (ACDT) on Thursday 7 February 2019 to align with the timetable of the Fund.

DEM and ARENA have executed a Memorandum of Understanding (MOU) to enable the coordinated assessment of investment opportunities described in Proposals submitted to the Fund and Applications to the ARP by the closing date and time outlined above.

Proposals received by DEM will be assessed in accordance with specified assessment criteria (see Section 6). Applications received by ARENA will be assessed against the merit criteria of the ARP.

Under the MOU, DEM and ARENA may share information regarding the assessment of Proposals and Applications, including the outcome of technical and commercial due diligence.

DEM is under no obligation to provide co-funding to any Proposals funded by ARENA under the ARP, nor is ARENA obligated to co-fund in any Proposals the Fund invests in.

An Applicant with an existing Application currently being assessed by ARENA as part of its ARP will not be required to submit a new ARP application. The Applicant must, however, declare this information in its Proposal to the Fund.

Existing Applications currently being assessed by ARENA as part of its ARP will not automatically be shortlisted by DEM under the Fund.

4. INVESTMENT STREAMS

The Fund seeks Proposals for investments in new energy storage infrastructure assets in two different streams:

- distributed storage stream – targeting assets located either behind-the-meter in commercial and industrial facilities (including mining operations) or in the distribution network, which will commence full commercial operations within two years of being awarded support from the Fund
- centralised (bulk) storage stream – targeting assets located upstream in the electricity network that will commence full commercial operations within four years of being awarded from the Fund.

Proposals for either stream may involve a project constructed on a single site or across multiple sites, providing the entirety of the project lies within South Australia.

Proposals seeking funding support for the sole purpose of undertaking a feasibility study will not be considered.

5. ESSENTIAL ELIGIBILITY CRITERIA

Eligible Proposals must satisfy the following essential eligibility criteria to be considered for assessment:

The Proposal:

- Must be submitted using the [Proposal Template](#) provided by the South Australian Government.

The Applicant:

- is a legal entity with which the South Australian Government can enter into a legally binding agreement
- has an Australian Business Number
- is registered for GST

- is financially viable, as evidenced through independently prepared financial statements and records of the Applicant and its related entities (for example, parent companies) which the State may require to be a party to the agreement as Guarantor of both performance obligations and the repayment amount should a repayment event occur.

The Project:

- will be wholly constructed within South Australia.

6. PROPOSAL ASSESSMENT

6.1 Key Assessment Criteria

Proposals will be assessed according to:

- the managerial and organisational capability and financial capacity of the Applicant to implement the Proposal
- the extent to which the Project will contribute to achieving one or more of the objectives of the Fund
- the technical and financial viability of the Project
- the risks of successful delivery of the Project, including the extent of significant technical, regulatory or other risks
- the amount of investment sought from the Fund
- the level of economic contribution to South Australia
- the state of readiness of the Project to commence operations.

Preference will be given to Proposals that demonstrate the ability to achieve financial close by 31 December 2019.

Proposals will be expected to be supported by comprehensive detailed information and records including in relation to:

- the applicant
- investment sought
- project (detail and economic contribution)
- technical and regulatory information
- financial information (Proposal and Applicant).

To assist Applicants with their response, a template of information requirements will be provided in the [Proposal Template](#) provided by the South Australian Government.

The Fund reserves the right to withhold full disbursement of the \$50 million grant funding if Proposals received do not satisfactorily achieve the objectives of the Fund. For the same reason, the Fund also reserves the right to limit its investment to one of the Investment Streams.

6.2 Assessment

DEM will assess Proposals against the specified criteria. DEM may contact Applicants' nominated contact officers for clarification on aspects of their Proposals. Applicants will be expected to provide a response in writing, or a copy of any additional documentation requested by DEM, within reasonable timeframes specified in DEM's correspondence.

In assessing Proposals, DEM will seek advice from subject matter experts from across government. Potential Applicants should note that information received in connection with an application may be used and communicated outside the Government of South Australia for due diligence purposes and may also be provided to the Australian Government, including ARENA, and third parties engaged by the Government to assist with the assessment of the Proposals received, together with program monitoring, reporting and evaluation purposes.

With oversight from the Committee, recommendations will be provided to the Minister to invest in a range of Investment Opportunities.

Final decisions as to Investment Opportunities will be made by the Minister or Cabinet, subject to delegation thresholds.

7. HOW TO SUBMIT A PROPOSAL

Applicants must download the Proposal Template, when available from www.energymining.sa.gov.au/gssf

DEM staff are available to respond to any queries raised via email to sastoragefund@sa.gov.au

All Proposals must be submitted to DEM, via email, to sastoragefund@sa.gov.au **by no later than 5pm (ACDT) on Thursday 7 February 2019.**

7.1 What to submit

Proposals must include a fully completed Proposal Template.

An Applicant seeking their Proposal to be considered for co-funding from ARENA must, if they have not done so already, submit an ARP application by no later than 5pm (ACDT) on Thursday 7 February 2019 to align with the timetable of the Fund (further information is available from www.arena.gov.au).

Applicants are encouraged to provide additional information, as required, to demonstrate how their Proposal best achieves the objectives of the Fund.

7.2 Confidentiality and Commercial-in-Confidence considerations

If an Applicant believes that any information provided in their proposal is confidential or commercial-in-confidence, the Applicant must clearly identify such information and the reason for its confidentiality. Applicants should be aware that the Fund is subject to certain legislative and administrative accountability and transparency requirements of the Australian Government and Government of South Australia, including public disclosure in accordance with Department for Energy and Mining policy.

Any information contained in, or relating to a Proposal submitted to the Fund, including information identified by an Applicant as confidential, may be disclosed by DEM:

- to its employees, advisers or third parties in order to evaluate and assess a Proposal
- within the Government of South Australia or other entities where this serves the legitimate interest of DEM
- in response to a request by a House or Committee of the Parliament of the Commonwealth of Australia or South Australia
- if the Proposal is successful, for promotion of project activities and outcomes
- where information is authorised or permitted by law to be disclosed
- where the information is already in the public domain.


7.3 Copyright

By submitting a Proposal, an Applicant will be taken to:

- license the Government of South Australia to reproduce for the purpose of this process, the whole or any portion of the Proposal despite any copyright or other intellectual property right that may subsist; and
- transfer ownership in the documents and any other materials constituting the application or Proposal to the Minister.

7.4 Miscellaneous

Proposals should provide clear information on any sensitivities the project would have to financial and other matters including changes in foreign exchange and interest rate movements. Proposals will be assessed based



on the foreign exchange and interest rates prevailing at the date of Proposal submission. Foreign currency or interest rates movements after the date of Proposal submission will be considered during any subsequent negotiations.

By submitting a Proposal, the Applicant accepts the terms of the Investment Guidelines. The State retains the right to extend, accelerate, remove, introduce or alter any element (including timetable, eligibility criteria, method of assessment, process requirements, etc.) of the Investment Guidelines at any time, at its discretion. Nothing in the Investment Guidelines will be construed as creating any binding contract, estoppel, expectation or other legal relationship (express or implied) between the Applicant and the State, and each Applicant irrevocably releases the State in relation to any claims, actions, damages, judgements, losses, remedies or other matters whether in contract, negligence, tort, under statute, equitable relief or otherwise, in conjunction with this process.

The State reserves the right to require suitable forms of credit support, including, without limitation, a Parent Company Guarantee in respect of the Applicant's liability under the finally agreed and executed contract and a bank guarantee or insurance bond in respect of the Applicant's obligations under such a contract with the Minister.

www.energymining.sa.gov.au/gssf

