

16 March 2023

Mr Justin Oliver
Board Member
Australian Energy Regulator (AER)
Email: [REDACTED]

Dear Mr Oliver,

Re: Tender Rules with respect to long-term energy service agreements

Thank you for your correspondence dated 8 February 2023, which followed consultation between AEMO Services, acting as the NSW Consumer Trustee, with the AER on the matter of the draft updated tender rules, with respect to long-term energy service agreements (LTESA) as required under section 47(6) of the Electricity Infrastructure Investment Act 2020 (NSW) (EII Act).

I note your feedback on the inclusion of alternative bids.

In each Tender Round, proponents may submit one additional bid for the same project, the additional bid (Alternative Bid) can be one of the following:

- An Alternative Financial Value Bid where only the prescribed bid variables are adjusted and the product combination remains unchanged; or
- An Alternative Product Bid, where the product selection is changed to an Access Right only.

Alternative Financial Value Bids: This permits proponents to adjust bid variables such as price, escalation on price, contract term and contracted percentage. This flexibility allows proponents to be more innovative in their bid and in turn allows the Consumer Trustee to consider which bid is of greater value to electricity consumers. There is no resourcing, process or other impact on the Consumer Trustee's assessment of Merit Criteria 1 – Financial Value.

The experience in Tender Round 1, has shown proponent innovation may deliver substantial value to electricity consumers when comparing the Default and Alternative Bids.

Alternative Product Bids: In accordance with the *Electricity Infrastructure Investment Regulation 2021* (NSW), a proponent can only be awarded an LTESA and Access Right in the single tender round. That means that a proponent cannot secure an Access Right in one tender and then an LTESA for the same project in a subsequent tender, or vice-versa. Proponents that plan to connect to new REZ network infrastructure require an Access Right. The purpose of the Alternative Product Bid is to give proponents the opportunity to seek an LTESA and Access right as their first preference and if they are unsuccessful, seek an Access Right only. This flexibility is required given it may be in the long-term financial interests of NSW electricity customers that the volume of LTESA recommended in a tender round may be less than the volume of Access Rights recommended, and also noting that projects located outside of REZ's are eligible to seek an LTESA. The Consumer Trustee assessment process for Alternative Product Bids is designed to assess these types of bids efficiently and no added complexity in the assessment process is anticipated.

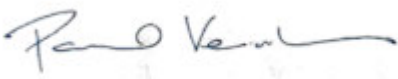
The Consumer Trustee plans to conduct further consultation with the AER prior to Tender Round 3, which is the Consumer Trustee's next tender for generation and long duration storage infrastructure. This consultation process is expected to recommence at the end of March 2023.

Please note that the Tender Rules for firming infrastructure will be gazetted on the 24th of March, and a copy of the draft Tender Rules has been attached to this letter for your reference.

If you have any questions or would like to discuss the draft Tender Rules, please contact Ernie Turner, Senior Manager Commercial, at [REDACTED].

The Consumer Trustee appreciates the ongoing and constructive engagement with AER officers on the draft Tender Rules and request this appreciation is passed on to your respective team.

Yours sincerely,



Paul Verschuer
Executive General Manager
AEMO Services Limited

Attachments: [FINAL DRAFT] LTESA and Access Right Tender Rules
cc: Ernest Turner, Baharak Sahebekhtiari, Sharon Eacott