

Explanatory Memorandum

Introduction

The Advancing Renewables Programme: Large-scale solar photovoltaics – competitive round Funding Agreement Template Version 1.0, September 2015 (**Template**) provides the legal framework for the obligations of each party and terms of payment for each successful Full Application under the Competitive Round.

As set out in the large-scale solar PV competitive round funding announcement which has been published on the ARENA website (**Funding Announcement**), Applicants are expected to accept the Template with no, or very limited, changes. Compliance with the Template will impact ARENA's assessment of project risk under ARP merit criterion C. Applicants are required to provide a response to the Template with both their EOI and Full Application. ARENA expects Applicants to provide a high level summary document of proposed amendments to the Template at the EOI stage and a detailed mark-up of the Template at the Full Application stage. ARENA is unlikely to accept material proposed amendments to the Template that have not been raised in the Applicant's EOI.

The Template is prepared on the basis of the key structural assumptions listed in the section entitled 'key structural assumptions' below (**Assumptions**). To the extent that these Assumptions are not applicable to a Project or Recipient, the terms of the Template will need to be altered in order to accommodate those differences.

ARENA reserves the right to customise the Template for each successful Project to reflect factors specific to a Project.

Key structural assumptions

The assumptions on which the Template has been prepared are as follows:

- (a) The Template will be read in conjunction with the Funding Announcement.
- (b) The Recipient will be a special purpose vehicle incorporated for the purpose of carrying out the Project.
- (c) The Project will be financed through a combination of the ARENA funds, equity contributions and limited recourse project financing.
- (d) All Recipient Contributions will be made into a Project Account as a condition precedent to Project Financial Close.
- (e) All Debt Contributions are made by way of senior secured debt provided under the terms of a facility agreement with associated finance and security documents.
- (f) ARENA Funds will be drawn pro-rata with all Debt Contributions after Recipient Contributions have been spent in full.
- (g) The Bid Bonds are agreed with, and provided to, ARENA prior to the funding agreement being signed.
- (h) All counterparties will have the financial and technical capability to perform (or cause to be performed) the obligations under the funding agreement and the other ARENA Project Documents.

- (i) The receipt of the Funds by the Recipient will be an assessable recoupment under section 20-20 of the *Income Tax Assessment Act 1997* (Cth).
- (j) All of the ARENA funds will be drawn during construction of the Project and a distribution lock-up mechanism will apply to ensure that the Recipient complies with their obligations under the funding agreement, including the Knowledge Sharing Obligations.
- (k) Certain provisions of the Template will not be applicable to an on-balance sheet Project, and the applicability of those provisions will be considered on a case by case basis. If an Applicant intends to propose an on-balance sheet Project, the Applicant will need to provide a summary of proposed amendments to the Template to reflect the proposed structure at the EOI stage and a detailed mark-up at the Full Application stage.

Q&A

ARENA will be hosting a 'Q&A' style session by webinar during the EOI stage to present the Template to potential Applicants. During this session, ARENA will answer any questions regarding the Template. ARENA will provide notice of the date of the session on its website, and will email any parties who have registered an interest in the Competitive Round, at least one week prior to the webinar.

ARENA expects to issue a revised Template at the commencement of the Full Application stage based on feedback from Applicants during the EOI stage.