



## Large-scale Solar PV Competitive Round

### Updated Funding Announcement (Full Application Stage)

#### Large-scale Solar PV Competitive Round

This Updated Funding Announcement provides further details on the Full Application stage of the competitive process that will be used by ARENA under the Advancing Renewables Programme (**ARP**) to fund a small number of large-scale solar photovoltaic (**PV**) projects. The process is referred to as the Competitive Round.

This Updated Funding Announcement should be read in conjunction with the ARP Programme Guidelines. Definitions contained in the ARP Programme Guidelines also apply to this Updated Funding Announcement. This Updated Funding Announcement replaces the Funding Announcement issued at the EOI stage of the Competitive Round.

#### 1. Competitive Round objectives

The key objectives of the Competitive Round are to:

- a) further reduce the cost of large-scale solar PV and provide a clear path for the technology to become competitive with other commercially viable forms of power generation in Australia (including wind power)
- b) provide transparency and price discovery in relation to current and projected costs of large-scale solar PV through the sharing of forecast and actual costs of both successful and unsuccessful projects on an anonymous basis
- c) demonstrate the ability to deliver a large-scale solar PV project at a cost below the Competitive Round levelised cost of electricity (LCOE) benchmark of A\$135/MWh.

#### 2. Competitive Round funding

ARENA has allocated A\$100 million (**Total Funding Allocation**) for the Competitive Round. ARENA may allocate an amount of funding that is less than the Total Funding Allocation if the Proposals received are not considered to be of sufficient merit to support an offer of ARENA funding. ARENA may also allocate an amount of funding greater than the Total Funding Allocation if it considers this to represent value for money.

#### 3. Scope of Activity

The Competitive Round is open to Proposals that fit within the following parameters:

- a) projects must generate all their electricity from solar PV
- b) projects must meet or exceed the minimum project size of 5 MW (AC)
- c) the total Grant funding requested for a project must not exceed A\$30 million
- d) projects must be connected to the NEM or SWIS

e) projects must not involve behind the meter elements.

Each project location (defined as a specific parcel or multiple parcels of land) can only support a single Proposal. For example, ARENA will not accept separate Proposals for two projects of different size or configuration in the same location but would accept a Proposal that includes a cluster of smaller solar PV facilities with a single or even multiple points of grid connection.

Projects that do not fit within these parameters may be eligible for the Advancing Renewables Programme, but will not be considered for funding through this Competitive Round.

#### 4. Eligibility requirements

Applicants under this Competitive Round are required to meet all eligibility criteria as outlined in the ARP Programme Guidelines.

#### 5. Clarification of merit criteria

The following table clarifies the application of the ARP merit criteria in the context of this Competitive Round in accordance with clause 4.28 of the ARP Programme Guidelines. This guidance identifies which ARP merit criteria apply to this Competitive Round, and which do not apply.

ARP merit criteria	Application to Competitive Round
<p><i>A – Contributes to the Programme Outcomes</i></p>	<p><i>This criterion assesses how well the project contributes to the Programme Outcomes, taking into account the investment focus areas in the Investment Plan and any relevant Funding Announcements.</i></p> <p>In assessing the contribution of a project to the Programme Outcomes, ARENA will consider:</p> <ul style="list-style-type: none"> <li>• the cost competitiveness of the project, which will principally be measured and assessed according to the amount of ARENA Grant funding requested per MWh of Estimated Net Generation (representing the economic gap to commercial competitiveness)</li> <li>• the LCOE of the project (as calculated using the ARENA LCOE Calculator)  <b>Note: projects with an LCOE above the LCOE Benchmark will be considered low merit and may not be assessed further</b>  <b>Note: ARENA recognises that the ARENA LCOE Calculator assumes a 10% pre-tax discount rate which may not be reflective of an Applicant’s cost of capital for a Project (It is noted that a 1% movement in the discount rate assumed in the ARENA LCOE Calculator has an approximate impact of \$7/MWh on the LCOE calculated using the ARENA LCOE Calculator)</b></li> <li>• how the project will reduce costs or deliver additional value (through factors such as network support payments, offtake pricing or cost synergies) compared to other large-scale solar PV projects in Australia</li> <li>• the extent to which the project attributes can be replicated and provide a clear path for further cost reductions (projects that include other subsidies (or other non-commercial elements that have a similar effect) will be assessed as lower merit<sup>1</sup>).</li> </ul>

<sup>1</sup> Financing from Clean Energy Finance Corporation is not considered in this case to be a subsidy

ARP merit criteria	Application to Competitive Round
	ARENA expects Applicants to employ a tax efficient structure in the development of Proposals and retains the right to normalise grant funding requests for different tax positions adopted by Applicants as well as any differences in the proposed timing of payments of ARENA grant funding.
Additional clarification for Full Application assessment	<p>The cost competitiveness of a project at the Full Application stage will be principally assessed based on the project’s requested level of ARENA grant funding as a proportion of Estimated Net Generation.</p> <p>ARENA will focus on the strength of supporting evidence for Estimated Net Generation and ARENA reserves the right to adjust Estimated Net Generation to the extent that the Applicant is unable to justify this estimate or to allow comparability across Applications.</p>
<i>B – Applicant capability and capacity</i>	<p><i>This criterion assesses the capability and capacity of the Applicant and project Partners to deliver the project.</i></p> <p>In assessing this criterion, ARENA will consider:</p> <ul style="list-style-type: none"> <li>• the demonstrated level of experience and expertise of the Applicant and/or Applicant’s consortium including where relevant members of the consortium have successfully delivered large-scale solar PV projects either in Australia or internationally</li> <li>• the appropriateness of the proposed allocation of roles and responsibilities for the Applicant and/or the Applicant’s consortium</li> <li>• the quality and completeness of project documentation and agreements provided to ARENA, as well as the extent to which these provide evidence of the Applicant’s capability and readiness to implement the project.</li> </ul>
Additional clarification for Full Application assessment	In assessing the Full Application, ARENA will have a particular focus on the Applicant’s and/or the Applicant consortium’s demonstrated ability to develop the project from its current stage to achieve Project Financial Close <sup>2</sup> by the CP Satisfaction Date <sup>3</sup> and commissioning no later than 31 January 2018.
<i>C – Activity design, methodology, risk and compliance</i>	<p><i>This criterion assesses:</i></p> <ul style="list-style-type: none"> <li>• <i>how well designed and planned the project is, including whether it has clearly defined objectives and methodology, as well as the Applicant’s approach to identifying, managing and reporting the personnel, delivery, technical and financial risks of the project</i></li> <li>• <i>activity risk in terms of the likely success of the project, the achievement of intended outcomes that align with the Programme Outcomes, investment focus areas in the Investment Plan and any relevant Funding Announcements</i></li> <li>• <i>the risk of negotiating and executing a Funding Arrangement which is acceptable to ARENA</i></li> </ul>

2 As defined in the Competitive Round Funding Agreement template

3 As defined in the Competitive Round Funding Agreement template

ARP merit criteria	Application to Competitive Round
	<ul style="list-style-type: none"> <li>• <i>compliance with any other requirements outlined in Part 5 of the ARP Programme Guidelines.</i></li> </ul> <p>In assessing this criterion, ARENA will consider:</p> <ul style="list-style-type: none"> <li>• the quality and completeness of the Project Plan</li> <li>• the quality of the risk management plan and the extent to which key risks have been identified and mitigated in project contracts and the financial model</li> <li>• the quality of the workplace health and safety plan</li> <li>• the extent to which the Applicant accepts the terms of the proposed ARENA Funding Agreement</li> <li>• how well the Proposal meets the requirements outlined in Part 5 of the ARP Programme Guidelines.</li> </ul>
Additional clarification for Full Application assessment	<p>In assessing the Full Application, ARENA will particularly focus on the quality of the Project Plan and other supporting information (refer to Appendix A), which should demonstrate the Applicant has the resources and plans in place to deliver the project as described in the Full Application. ARENA will focus on the quality and completeness of the Applicant’s risk management plan and the overall risk profile of the project including but not limited to, permitting, connection progress and strength and bankability of the proposed Engineering Procurement and Construction (EPC) and Operations and Maintenance (O&amp;M) provider(s).</p> <p>ARENA expects the Applicant to have reviewed and identified any non-compliances with the template Funding Agreement and will take into account in evaluation, and be unlikely to accept material proposed amendments, that have not been raised in the Applicant’s EOI (refer Appendix A for further details).</p>
<i>D – Financial viability and co-funding commitment</i>	<p><i>This criterion assesses the Applicant’s financial capacity to deliver the project and whether the amount of ARENA funding sought and the total cost of the project is appropriate. In doing so ARENA assesses:</i></p> <ul style="list-style-type: none"> <li>• <i>whether the Applicant and/or Applicant’s consortium have the financial capacity and appropriate levels of co-funding commitment to deliver the project successfully</i></li> <li>• <i>the extent to which the Applicant or other project Partners are providing funding or in-kind support for the project</i></li> <li>• <i>relevant industry benchmarks for the economics of a particular project.</i></li> </ul> <p>In assessing this criterion, ARENA will focus on the level of funding certainty to deliver the project within the required timeframe, including:</p> <ul style="list-style-type: none"> <li>• deliverability of the financing plan</li> <li>• level of conditionality of the funding commitments</li> <li>• the level of financial transparency of the project</li> <li>• risk of cost overruns.</li> </ul> <p>ARENA will assess the amount of ARENA funding sought and total cost of the</p>

ARP merit criteria	Application to Competitive Round
	project within the competitive framework elements outlined under merit criteria A.
Additional clarification for Full Application assessment	<p>ARENA will expect high merit projects to:</p> <ul style="list-style-type: none"> <li>• have firm financing commitments in place, with due diligence performed by the identified providers of funding</li> <li>• demonstrate a sound approach to managing risks that might impact the financial viability of the project, including uncertainties relating to any proposed off-take arrangements or other relevant risk factors</li> <li>• demonstrate an understanding of the financing process and how financing issues will interact with other factors, including proposed contractual arrangements.</li> </ul>
<i>E – Knowledge sharing</i>	<p><i>This criterion assesses:</i></p> <ul style="list-style-type: none"> <li>• <i>the value of the knowledge generated by the project in contributing to the Programme Outcomes</i></li> <li>• <i>how well that knowledge is targeted to specific audiences</i></li> <li>• <i>how the Applicant will capture, store and disseminate the data, information and lessons learned from the project.</i></li> </ul> <p>In assessing this criterion, ARENA will consider:</p> <ul style="list-style-type: none"> <li>• how well the knowledge generated will contribute to the objectives of the Competitive Round</li> <li>• the extent to which the Applicant is willing to comply with ARENA’s Knowledge Sharing Plan</li> <li>• the extent to which additional valuable knowledge may be generated and shared from the project</li> <li>• where relevant, the Applicant and/or the Applicant consortium’s track record in providing knowledge under existing ARENA supported projects.</li> </ul>
Additional clarification for Full Application assessment	ARENA expects the Applicant to have reviewed and identified any non-compliances with the Knowledge Sharing Plan template and will take into account in evaluation, and be unlikely to accept, material proposed amendments that have not been raised in the Applicant’s EOI.

Proposals should include the relevant Additional Information Requirements set out in Appendix A.

## 6. Application and assessment process

An application made under the Competitive Round must be completed according to the terms provided in the ARP Programme Guidelines.

Presented below is further detail on the application and assessment process that is specific to the Competitive Round.

- a) Measurement and assessment of cost reduction and commercial competitiveness

When evaluating Proposals against the Competitive Round objectives, ARENA will assess Proposals against the Scope of Activity parameters and the ARP merit criteria provided in Sections 3 and 5 above.

Note that Section 6.6 of the ARP Programme Guidelines allows ARENA (in its absolute discretion) to reject, refuse to consider, or cease evaluating an Full Application at any time if ARENA determines (at its absolute discretion) that the Full Application is unlikely to be successful. This will apply particularly when a Proposal does not fit within the Scope of Activity parameters (as presented in Section 3) for this Competitive Round.

#### b) Full Application

A Full Application will only be accepted from those Applicants invited to submit a Full Application following the EOI process. Full Applications must clearly address each of the ARP merit criteria, taking into account the clarifications provided in Section 5. Full Applications will be ranked against the ARP merit criteria, with each criterion being given equal weight in the assessment process.

Only those Proposals that are assessed as being of overall high merit against the ARP merit criteria will be considered for funding (High Merit Projects).

The highest ranked High Merit Projects will be recommended for funding subject to the Total Funding Allocation available and the portfolio approach described below.

In order to promote accurate Proposals at both the EOI and Full Application stages, and to ensure fairness in assessment, no material change to the Proposal will be permitted between the EOI and Full Application stages.

ARENA retains the right to exclude Full Application stage Proposals from the Full Application assessment process where a material change is observed from the EOI stage.

A material change would include but is not limited to:

- a change in the location of the project (excludes micro-siting)
- a change of more than 10 per cent in the rated (AC) capacity of the project
- an increase of more than 5 per cent in the LCOE of the project<sup>4</sup>. This LCOE will be adjusted for changes in foreign exchange rates from 9 September 2015 to 1 June 2016 based on the foreign currency denominated components nominated as part of your EOI stage Application.

Similarly, no change to project location or size will be permitted between the Full Application and Financial Close, and an LCOE threshold will apply (being no more than 5 per cent above the project's LCOE specified in the EOI).

The Full Application must be made via [ARENAnet](#) by the Full Application Due Date.

Further information on requirements for the Full Application process is presented at Appendix A.

#### c) Q&A process

A Q&A process will be undertaken during the application process to respond to any Applicant queries. All questions regarding the Full Application stage of the Competitive Round should be

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<sup>4</sup> With reference to the EOI stage LCOE (Assessed LCOE Benchmark) as confirmed in writing to Applicants and the LCOE at the Full Application stage calculated and assessed by ARENA in accordance with the instructions presented in this Updated Funding Announcement.

submitted to [proposals@arena.gov.au](mailto:proposals@arena.gov.au). Questions received and ARENA's responses will be provided to all Applicants except where:

1. the Respondent nominates in its Question that its enquiry relates to proprietary information relevant to its Application\*; and
2. ARENA is of the opinion that the question and ARENA's response are not material to the integrity or the competitiveness of the Competitive Round.

\*If ARENA is of the view that the question is not proprietary, it will advise the relevant Applicant, who will then have the option to withdraw the question. If the Applicant continues to request a response to that question, the question and the response may be provided to all Applicants (subject to the second point above).

All Q&A responses provided as part of the EOI stage have been taken into consideration in the preparation of the Updated Funding Announcement and as such all Q&A responses are superseded and should not be relied on for the preparation of a Full Application.

ARENA will not work with Applicants or their partners to develop Proposals or facilitate collaboration except through the provision of information in the Q&A process and the anticipated Knowledge Sharing Plan workshop. Accordingly, 4.20 and 4.22 of the ARP Programme Guidelines do not apply to the Competitive Round.

#### d) Publication of information

ARENA will publish anonymised data from the Proposals received at the conclusion of the EOI and Full Application stages in order to provide a high level of transparency to stakeholders on the range of Proposals received.

At the conclusion of the Full Application stage ARENA will publish more detailed anonymised project data from the Proposals received at both the EOI and Full Application stages, including:

- Total Project Cost (in aggregate and by key component) per MW (DC/AC)
- LCOE (A\$/MWh)
- ARENA grant funding amount per MWh of Estimated Net Generation
- ARENA grant as a percentage of Total Project Cost
- Project details and metrics by geographic (State/Territory) location
- PPA pricing and term
- Debt and equity financing ratios and expected levels of return.

#### e) Portfolio approach

ARENA will use the following portfolio approach when offering funding under the Competitive Round (in accordance with clauses 4.23 and 4.24 of the APR Programme Guidelines):

- no less than 50 per cent of the Total Funding Allocation can be offered to projects connected to the NEM, and
- no more than 50 per cent of the Total Funding Allocation can be offered to majority owned Utility Projects.

In addition to these metrics, ARENA may also consider:

- the capability of each Applicant (including key consortium members) to deliver across multiple projects (where applicable);
- any relevant limits on the availability of off-take from a single off-taker; and
- any relevant limits on funding from a single financier.

## 7. Project Bid Bonds

Within 30 days of the date of the ARENA offer to negotiate an ARENA Funding Agreement (Offer to Negotiate), the Applicant must provide ARENA with Bid Bond<sup>5</sup>(s) in substantially the form of the ARENA pro forma bid bond documentation separate to the Funding Agreement published on the ARENA website page dedicated to the Competitive Round at [arena.gov.au/large-scale-solar-pv](https://arena.gov.au/large-scale-solar-pv). The face value of the Bid Bond(s) will be a pre-estimate of the costs to ARENA in seeking a replacement project should the Applicant's project not proceed to Project Financial Close<sup>3</sup>. The face value amount must be calculated as AUD20,000 x Project Capacity (MW(AC)) (subject to a minimum of AUD250,000 and a maximum of AUD500,000). The Bid Bond(s) must be issued by a bank with a branch in Sydney or Melbourne and that has a rating from Standard & Poor's of at least A- or a rating from Moody's of at least A3.

The Offer to Negotiate will provide that:

- 1) ARENA may make a demand under the Bid Bonds if:
  - a) the Applicant withdraws from negotiations in respect of the Funding Agreement; or
  - b) once the Funding Agreement has been entered into, the Applicant fails to meet Project Financial Close<sup>3</sup> on or before the CP Satisfaction Date<sup>3</sup>, as extended pursuant to the terms of the Funding Agreement; and
- 2) ARENA must return the Bid Bonds to the Applicant if the Applicant meets Project Financial Close on or before the CP Satisfaction Date.

If the Applicant requires an extension to the CP Satisfaction Date and can demonstrate to ARENA's satisfaction (in its absolute discretion) that the project can reach Project Financial Close by the proposed extended CP Satisfaction Date, the CP Satisfaction Date may be extended by up to an additional 100 days. In order for the CP Satisfaction Date to be extended, the Applicant must deliver to ARENA:

- 1) if the Bid Bonds will expire before the proposed new CP Satisfaction Date, bonds to replace those Bid Bonds, in substantially the form of the original Bid Bonds and with an aggregate face value equal to the aggregate face value of the original Bid Bonds; and
- 2) Additional Bid Bonds<sup>3</sup> with a face value calculated in accordance with the provisions of the Funding Agreement and the pro forma bid bond template, each with an expiry date calculated in accordance with the provisions of the Funding Agreement.

The Bid Bonds (and any Additional Bid Bonds) will be returned to the Applicant on the occurrence of Project Financial Close. Details on the Bid Bond regime are set out in the Funding Agreement template and the pro forma bid bond template.

## 8. Partial Cost Rebate

A total of up to A\$2.0 million will be available to compensate unsuccessful Applicants for costs incurred during the application process. The Partial Cost Rebate will cover up to 50 per cent of Verifiable Third Party Costs incurred in the development of the Proposal from the commencement of the EOI Open date subject to: a maximum of A\$250,000 for each unsuccessful Applicant; and the total pool of funds allocated by ARENA for the Partial Cost Rebate.

To be eligible to receive a Partial Cost Rebate, an Applicant must satisfy the following requirements:

- a complete, fully compliant Full Application must be lodged by the Full Application Due Date

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<sup>5</sup> As defined in the Competitive Round Funding Agreement template

- at the end of each month during the Full Application stage until the Full Application Due Date, the Applicant must have reconfirmed to ARENA via email to [proposals@arena.gov.au](mailto:proposals@arena.gov.au) that the Applicant was continuing to develop the Proposal and intended to submit a complying Full Application
- the Full Application must clearly demonstrate the project would have been capable of reaching Financial Close within six months of the Full Application Due Date
- the Full Application must clearly demonstrate that it would have achieved the LCOE Benchmark and have not materially changed from the EOI stage (as presented in Section 6), and
- submission of a request for a Partial Cost Rebate using the form at Appendix C to ARENA ([proposals@arena.gov.au](mailto:proposals@arena.gov.au)) by 5pm 31 October 2016, Eastern Australia daylight savings time.

The decision to pay (and the amount of the payment to) any unsuccessful Applicant a Partial Cost Rebate is at the absolute discretion of ARENA.

### **9. Foreign exchange and interest rate risk**

Proposals at the Full Application stages should provide clear information on any sensitivities the project would have to changes in foreign exchange and interest rate movements.

ARENA will assess Full Applications based on the foreign exchange and interest rates prevailing at the FX Measurement Date.

The ARENA Funding Agreement may be structured to allow for beneficial and adverse movements in foreign exchange and interest rates (base rate only) for the period between the FX Measurement Date and the date which is the earlier of 30 days following the Offer to Negotiate or five business days prior to the execution of a Funding Agreement. The Full Application submission must clearly indicate the Applicant's proposed approach to foreign exchange and interest rate risk management.

In all cases, ARENA contingency funding for movements in foreign exchange and interest rates will be capped at 10 per cent of the ARENA funding request presented in the Full Application.

Further details on ARENA's approach to managing foreign exchange and interest rate risk is provided as Appendix B to this Updated Funding Announcement.

### **10. Project LCOE**

As noted in Section 6, a material change includes but is not limited to an increase of more than 5 per cent in the LCOE of the project at the EOI stage. ARENA will confirm with each Applicant the LCOE Benchmark for their respective Application (EOI LCOE) within 5 days of the date of this Updated Funding Announcement. Applicants should include the following within the Full Application submission:

- An LCOE bridge between the EOI LCOE (as confirmed in writing with Applicants) and the Full Application LCOE calculated based on prevailing foreign exchange rates as at the FX Measurement Date. The LCOE bridge must distinguish between any LCOE movements attributable to foreign exchange in isolation of other drivers
- Detail on the movement of LCOE due to movements in the key drivers, including but not limited to, project capital cost, project operating cost, generation and foreign exchange rate movements

Note that LCOE must be calculated with the ARENA LCOE Calculator and should be able to be reconciled to the financial model to be submitted as part of the Full Application (refer to Appendix A).

## 11. Project offtake arrangements

As part of the Full Application submission, Applicants should, where applicable, submit documentation regarding a Project's offtake arrangements consistent with that outlined at Appendix A. It is noted that as at the Full Application Due Date processes associated with the finalisation of offtake agreements may not be completed (such as processes associated with complementary state government initiatives). For Applications that have a contingent or non-committed offtake arrangement, where the Application is premised on obtaining such an offtake, the Full Application submission must include detailed assessment and analysis on risk mitigation associated with the proposed offtake arrangement. This assessment is expected to include identification of alternate offtake arrangements or the Applicant's commitment to proceeding on a merchant revenue basis. Should an Applicant not have a committed offtake arrangement in place at the date of the Full Application Due Date and be prepared to finance the project on a merchant basis (should the offtake arrangement not materialise) the Full Application submission **should** include sufficient information to allow ARENA to assess the Full Application under the relevant alternative financing scenario.

## 12. Funding Agreement

The Funding Agreement will provide the legal framework for the obligations of each party and terms of payment for each successful Full Application under the Competitive Round.

ARENA's Funding Agreement template is provided on the ARENA website page dedicated to the Competitive Round at [arena.gov.au/large-scale-solar-pv](http://arena.gov.au/large-scale-solar-pv). Applicants are expected to accept this Funding Agreement with no, or very limited, changes. Based on limited feedback from applicants during the EOI stage, ARENA has not updated the Funding Agreement template. Departures from the Funding Agreement will be evaluated as part of ARENA's assessment of project risk under ARP merit criterion C.

A detailed mark-up of the Funding Agreement is to be provided by the Applicant at the Full Application stage. ARENA will take into account in evaluation, and is unlikely to accept material proposed amendments to the Funding Agreement template that have not been raised in the Applicant's EOI.

## 13. Knowledge Sharing Plan

A Knowledge Sharing Plan specific to the Competitive Round is provided at [arena.gov.au/large-scale-solar-pv](http://arena.gov.au/large-scale-solar-pv). Applicants are expected to accept this Knowledge Sharing Plan with no, or very limited, changes. Departures from the Knowledge Sharing Plan will be evaluated as part of ARENA's assessment of merit against ARP merit criterion E. Applicants are required to provide a response to the Knowledge Sharing Plan (in conjunction with the Funding Agreement) with their Full Application. ARENA intends to host a workshop during March 2016 to explain and discuss its proposed approach to knowledge sharing under the Competitive Round.

## 14. Timetable

The timetable for the Competitive Round is presented in the table below.

<b>EOI Stage</b>	
EOI Open Date	9 September 2015
EOI Registration Cut-Off Date	13 October 2015, 5pm Eastern Australian daylight savings time

EOI Due Date	2 November 2015, 5pm Eastern Australia daylight savings time
<b>Full Application Stage</b>	
Applicants invited to submit a Full Application	16 December 2015
Full Application Due Date	15 June 2016, 5pm Eastern Australia standard time
Offer to Negotiate	An offer to negotiate an ARENA Funding Agreement made in writing and expected within 90 days of the Full Application Due Date
Bid Bond provided	No more than 30 days following an Offer to Negotiate
<b>Implementation</b>	
Financial Close	120 days after an Offer to Negotiate is made to the Applicant or as otherwise extended pursuant to an Additional Bid Bond Amount
Commissioning Date	Expected within 12 months following Financial Close
ARENA reporting period	Extends to the third anniversary of the Commissioning Date

Full Applications will not be accepted after the Full Application Due Date.

ARENA retains the right to extend, accelerate or alter any element (including timetable) of the Competitive Round at its discretion.

#### **15. Applicant confirmation of proceeding with the Competitive Round**

At the end of each month during the Full Application stage until the Full Application Due Date, each Applicant must reconfirm to ARENA via email to [proposals@arena.gov.au](mailto:proposals@arena.gov.au) that the Applicant is continuing to develop the Proposal and intends to submit a complying Full Application. ARENA retains the right (in its absolute discretion) to reject or refuse to consider a Full Application should an Applicant not supply a reconfirmation to ARENA in accordance with this Section.

A template of the confirmation is presented in Appendix D.

## 16. Glossary<sup>6</sup>

ARENA LCOE Calculator	Detailed template setting out the approach to calculation of the LCOE within the context of the Competitive Round. Further detail: <a href="http://arena.gov.au/large-scale-solar-pv">arena.gov.au/large-scale-solar-pv</a>
Additional Bid Bond Amount	An amount which is proportional to the increase in the period (measured in days) to the Financial Close date specified within the Funding Agreement. For example, should a project be granted an extension of 100 days, the Additional Bid Bond Amount would be 100/120 multiplied by the Bid Bond Amount.
Bid Bond Amount	A\$20,000 x Project Capacity (MW AC) subject to: <ul style="list-style-type: none"><li>• a minimum of A\$250,000</li><li>• a maximum of A\$500,000</li></ul>
Commissioning Date	As defined in the template Funding Agreement. Expected to be the final completion of the project in accordance with the Engineering Procurement and Construction contract and the relevant project documents.
Estimated Net Generation	p50 (expected) Generation Sent Out (supported by an independent technical assessment) based on an assumed 25 year project operating life.
Financial Close	Defined in the template Funding Agreement as Project Financial Close.
FX Measurement Date	1 June 2016. With reference to the foreign exchange rates published by the Reserve Bank of Australia for 1 June 2016
LCOE Benchmark	A\$135/MWh calculated based on the ARENA LCOE Calculator that can be found at: <a href="http://arena.gov.au/large-scale-solar-pv">arena.gov.au/large-scale-solar-pv</a> (based on exchange rates prevailing as at 9 September 2015).
PPA	Power Purchase Agreement
Project Plan	The principal application document, which includes a summary of all of the issues detailed in Appendix A and refers to any further supporting information (via attachments). The Project Plan should support the Applicant's response to each of the merit criteria.
Total Project Cost	All costs incurred to construct and finance the project including costs incurred during the development stage.
Utility Projects	Projects where the majority of committed equity is sourced from a related party of the major off-taker (and includes merchant projects where the majority equity owner is an electricity retailer).
Verifiable Third Party Costs	Includes external consultant costs and application fees (e.g. grid connection) that are clearly related to the development of the project that have been incurred from the EOI Open Date up to the Full Application Due Date.

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<sup>6</sup> Any items undefined will have the same meaning as that provided in the ARENA LCOE Calculator and/or the Funding Agreement template

## Appendix A – Additional Information Requirements

At the Full Application stage, Applicants **must** provide a detailed Project Plan that addresses the requirements set out in the Competitive Round Updated Funding Announcement. In addition to a detail Project Plan it is expected that Applicants will provide a range of documents and files as appendices. It is expected the Project Plan (and associated appendices and attachments) includes, at a minimum:

### Applicant

- Detail on experience and expertise of the Applicant and / or Applicant’s consortium and allocation of roles and responsibilities
- Examples where the Applicant and/or the key personnel have successfully delivered large scale solar PV projects either in Australia and/or internationally
- Details of the directors of the project legal entity
- Shareholders agreement for the project legal entity
- Listing of shareholders of the ultimate parent companies of all equity participants to the project with sufficient information to allow completion of “know your client” checks
- Corporate structure diagram
- Listing of directors of all ultimate parent companies of all equity participants to the project

### Project

- Detail on the technology choice and design, including supporting documents
- Project development plan detail including the development budget and key milestones outlining the process to Financial Close as well as a statement that Financial Close is expected to be reached within 210 days from the Full Application Due Date (assuming an Offer to Negotiate from ARENA within 90 days)
- Detail on project location
- A detailed project delivery and commissioning schedule
- Evidence of ownership or access to land and access to supporting resources
- Detail on approach to managing cost over runs (including, but not limited to, project capital cost risk and exchange rate risk)
- Diagram presenting the commercial relationship between all commercial entities participating in the project, including a description of each entity and role
- Attachments containing other relevant documents (technical, financial, contract, due diligence, letters of support, etc.) that may assist in the assessment of the Full Application
- Details as to any conditions precedent to funding and how these will be managed to achieve satisfaction of these conditions within the required ARENA timetable.

### Technical

- Completed connection studies (scoping and planning studies)
- Proponent to provide evidence of their investigations and applications for all network connection approvals and NEM registrations in addition to grid connection scoping studies.
- Connection Agreement – If a connection agreement is not executed, please provide a detailed description on the path to securing a connection agreement and documents to support status of the connection agreement. Examples of such documentation includes:

- Initial response from TNSP or DNSP
- Connection application
- Connection offer
- Evidence of development approvals and outcomes of community consultation (demonstrating a “best practice” approach)
- Project Execution Plan , including as a minimum information on project governance, expected delivery team structure, contracting & procurement methodology, stakeholder management, quality assurance, schedule and cost management, and occupational health, safety and environment all specific to Project.
- Operations Management Plan (including site specific assessment of O&M issues)
- Risk management plan
- Work health and safety (WHS) management plan
- Plant layout design including plan(s) indicating boundaries of tenured site, the location of the connection point(s) and assets, the location of all major equipment and buildings, and a detail showing the panel and supporting structure solution general arrangement
- Single line diagrams, which also outline connection arrangements
- Marginal Loss Factor forecast –supported with a load flow forecast or a supporting letter from the TNSP/DNSP or qualified industry consultant
- Details of selected components, including either selected equipment data sheets or specifications for proposed technology
- Results of any site geotechnical investigations
- Results of flood risk or high rainfall event assessment
- Results of wind loading and structural compliance assessment
- Independent plant performance/yield forecast of life of plant in Report format, including:
  - Results of solar yield model including Probability of Exceedance Calculations (P50, P90, P99), details of who undertook the modelling and what package was used
  - Clear list of assumptions, with an explanation of basis used in the forecast of the performance yield (i.e. orientation and tilt/tracking angles, degradation, availability, electrical losses/efficiencies, temperature impacts, panel soiling, any grid constraints)
  - Explanation of the reason for the selected configuration
  - Basis of solar insolation information (i.e. satellite inferred or actual insolation measurements on site, including location of measurement equipment, type, calibration and photographs of this installation) and a description of any processing undertaken to achieve a Typical Meteorological Year (TMY) specific to the site
- The expected Procurement Contract(s) & Specification(s) of key equipment, including standards and compliance including details of expected performance guarantees, warranties and treatment of any liabilities/damages
- Environmental and statutory permit/licences – Details of the environmental and statutory approvals required for the development of the project and the current status of each approval.
- Detailed CAPEX and OPEX estimates. These estimates need to provide a breakdown of key equipment costs, direct labour estimate, indirect labour estimate and alignment to the

Project Execution Plan. These estimates should be justified by supporting information, for example:

- Independent estimate verification
- Firm pricing from EPC contractor
- Quotations from equipment suppliers
- Quotations for O&M of plant
- Quotations for key spares

### **Financial**

- An LCOE analysis as presented in Section 10
- Detailed financial model, that includes:
  - Clearly presented assumptions (and sources of assumptions) adopted within the financial model
  - Detailed annual profit and loss, cash flow and balance sheet totals for each year of the proposed operating life of the project
  - Drawdown schedule for all sources of funds
  - Details of the assumed cost of any project debt financing (including specifying the base interest rate, the portion of hedging and hedged base rates assumed, the debt margin and any refinancing assumptions) and the proposed annual amortisation (repayment) profile.
  - Financial model outputs to include:
    - Unleveraged pre and post tax IRR
    - Leveraged pre and post-tax IRR
    - LCOE (as calculated using the ARENA LCOE Calculation Methodology and clearly linked to the financial model)
    - FX sensitivity analysis as set out in this Funding Announcement
    - Output Metrics
      - ARENA Grant (\$000s) /Estimated Net Generation
      - Total Project cost (\$000s) /Estimated Net Generation
- Credit approved term sheets and/or letters of support for any proposed debt financing (senior and subordinated third party and related party) as well as commitment letters for proposed equity or related party debt
- Supporting information for the revenue pricing assumptions adopted within the financial model, including:
  - the basis of merchant curve assumed
  - detailed PPA term sheet with letter of support
- Detail on project tax assumptions including specific proposed tax treatment of ARENA Grant including any associated third party advice.

### **Legal and contract**

- Committed term sheets, draft agreements and/or commitment/support letters for key contracts including PPA, EPC, O&M and asset management supporting budgeted costs and demonstrating firm pricing. Evidence of contracted parties' accreditation, experience and expertise in contracted role to be provided.

- Schedule of proposed insurance listing type and level of insurance coverage taken out, and method for determining levels of coverage with supporting evidence of cost and appropriateness e.g. letter from insurance provider.
- Land Agreement – Provision of a copy of the Land/lease agreement. This document should include details of agreement duration and the commercial arrangement and a drawing/figure clearly describing the boundaries of the land that defines the site.

#### **ARENA**

- Detailed mark-up of the template Funding Agreement reflecting any proposed changes to terms and completed scheduled, if any.
- A statement of acceptance of the requirements of the Knowledge Sharing Plan or detailed mark-ups to the template reflecting any proposed changes.
- Analysis to demonstrate how the LCOE will be achieved and the proposed path to further cost reductions beyond this project, which might allow the project to be replicated with a reduced or no additional subsidy within the medium term.

The Full Application Project Plan **should not** exceed 16,000 words (excluding attachments) and ARENA reserves the right cease assessing Applications that exceed this word limit.

## Appendix B – Management of Foreign Exchange and Interest Rate Risk

ARENA's approach to consideration of foreign exchange and base interest rate sensitivities at the Full Application stage is presented in Section 9.

As part of the Full Application submission, Applicants must clearly indicate the approach to management of both foreign exchange rate and base interest rate risk management. As part of the Competitive Round, ARENA may consider the following approaches to management of foreign exchange rate and base interest rate risk.

### **1 - Fixed ARENA Grant amount based on Full Application submission**

Under this approach the ARENA Grant amount would be fixed based on the parameters presented in the Full Application submission (submitted in accordance with the Updated Funding Announcement).

The Full Application submission must outline the Applicant's approach to managing both foreign exchange and base interest rate movements for the period from the FX Measurement Date to the project's targeted financial close date.

### **2 - Capped flexible ARENA Grant amount**

Under this approach the ARENA Funding Agreements may be structured to allow for beneficial and adverse movements in foreign exchange and interest rates (base rate only) for the period between the FX Measurement Date and the date which is the earlier of:

- 30 days following the Offer to Negotiate; or
- five business days prior to the execution of a Funding Agreement.

Under this approach the Full Application documentation must clearly present both foreign exchange and base interest rate sensitivities. Analysis is to be presented for both beneficial and adverse movements, including but not limited to adverse changes that would result in a 10 per cent increase in the required level of ARENA Grant funding. The project financial model together with supporting documentation should be clearly structured to allow third party analysis of such sensitivities and observation of any impact on project economics (for example clear segregation of foreign exchange priced components to allow analysis based on updated foreign exchange and base interest rates).

In all cases, ARENA contingency funding for movements in foreign exchange and interest rates will be capped at 10 per cent of the ARENA funding request presented in the Full Application.

## Appendix C – Form for Partial Cost Rebate

As outlined in Section 8, ARENA may allocate up to A\$2.0 million to compensate unsuccessful Full Application stage Applicants for costs incurred during the application process. The Partial Cost Rebate will cover up to 50 per cent of Verifiable Third Party Costs incurred in the development of the Proposal from the commencement of the EOI Open Date to the Full Application Due Date subject to a maximum of A\$250,000 for each unsuccessful Full Application stage Application (and the total pool of funds allocated by ARENA for the Partial Cost Rebate).

To be eligible to receive a Partial Cost Rebate, an Applicant must submit an application to ARENA in the form presented below for each complying Full Application stage Application.

<b>Subject</b>	<b>Applicant response</b>	<b>ARENA guidance notes</b>
Applicant Name		<i>As per application</i>
Project Name		<i>As per application</i>
ARENA project reference		<i>As provided by ARENA</i>
Confirmation complying Full Application submitted by Full Application Due Date		<i>Applicant to provide evidence that Application submitted on due date. Applicant to provide evidence that Application was fully compliant with Updated Funding Announcement and capable of proceeding under this Competitive Round Application to meet LCOE requirements as specified in the Updated Funding Announcement</i>
Confirmation that at the end of each month during the Full Application Stage until the Full Application Due Date, the Applicant reconfirmed to ARENA via email to <a href="mailto:proposals@arena.gov.au">proposals@arena.gov.au</a> that the Applicant was continuing to develop the Proposal and intended to submit a complying Full Application		
Evidence that project would be capable of reaching financial close within six months of the Full Application Due Date		<i>Applicant to provide evidence that project capable of meeting prescribed timetable. To include but not limited to certainty of financing and offtake.</i>

Confirmation that the Full Application did not materially change from the EOI stage		
Detail of each Verifiable Third Party Cost (separate section per supplier)		<p><i>Evidence that the Verifiable Third Party Cost meets the definition as presented in the Updated Funding Announcement, including but not limited to:</i></p> <ul style="list-style-type: none"> <li>▪ <i>Evidence that the service provider is a third party with skill, expertise and has a track record of performing comparable services</i></li> <li>▪ <i>Applicant prepared summary of scope of work performed by the service provider and the services application to the Competitive Round application process</i></li> <li>▪ <i>Third party tax invoice and supporting documentation that clearly indicates:</i> <ul style="list-style-type: none"> <li>– <i>Detail on the nature of the services performed</i></li> <li>– <i>Evidence that the services were specific to the Application</i></li> <li>– <i>The period during which the services were performed</i></li> </ul> </li> <li>▪ <i>Third party receipts indicating payment of above tax invoice for services</i></li> </ul>
Net calculation		<p><i>Application of 50% to the Verifiable Third Party Cost presented above.</i></p> <p><i>Confirmation that the calculated amount does not exceed the maximum A\$250,000 applicable to each unsuccessful Application. Note that the Partial Cost Rebate mechanism is capped at A\$2.0 million across the Competitive Round</i></p>
Signed statement by a director of the Applicant that:		
<ul style="list-style-type: none"> <li>▪ the cost information presented as part of the</li> </ul>		

<p>Partial Cost Rebate are a true and accurate reflection of the actual costs incurred</p> <ul style="list-style-type: none"> <li>▪ that costs defined in the Partial Cost Rebate application are consistent with the definition of Verifiable Third Party Costs as defined in the Updated Funding Announcement</li> </ul>		
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An application for a Partial Cost Rebate must be submitted to ARENA ([proposals@area.gov.au](mailto:proposals@area.gov.au)) by 5pm 31 October 2016, Eastern Australia daylight savings time.

The decision to pay (and the amount of the payment to) any unsuccessful Applicant a Partial Cost Rebate is at the absolute discretion of ARENA.

## Appendix D –Applicant confirmation of proceeding with the Competitive Round

To be provided via email to [proposals@arena.gov.au] on the last day of each month

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Subject: Large-scale solar PV Competitive Round – confirmation

I confirm that [insert Applicant name] is developing the [insert project name] Proposal and we intend to submit a fully complying Full Application by the Full Application due date.

Signed

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Authorised representative of [insert Applicant name]