

14 AUGUST 2019

\$40 million funding for South Australia's first pumped hydro plant

On behalf of the Australian Government, the Australian Renewable Energy Agency (ARENA) has today announced up to \$40 million in funding towards the deployment of a Pumped Hydro Energy Storage (PHES) project in South Australia.

ARENA's funding will help to fast track development of South Australia's first PHES plant. The successful funding recipient will be at least 200 MW in capacity, and must reach financial close by 30 June 2020.

Four proposed large-scale PHES projects in development in South Australia have sought ARENA funding, and have been assessed favourably under our Advancing Renewables Program.

ARENA will invite these projects to put forward proposals for further assessment that outline how the project will reach financial close, and includes their lowest funding request from ARENA.

After proposals are received by October, ARENA will undertake further assessment and due diligence on the four advanced projects to select a single funding recipient, with a funding decision to be made by late 2019.

ARENA will work with both the Australian Government's Underwriting New Generation Investments (UNGI) program which has shortlisted 12 projects including six PHES projects, of which three are in South Australia, and the South Australian Government's \$50 million Grid Scale Storage Fund (GSSF) to support the development of PHES in South Australia.

As South Australia continues to increase its renewable energy make up, large-scale storage such as PHES and grid-scale batteries are needed to supply system strength, energy reliability and inertia to the region.

The development of a large-scale PHES plant would balance and firm up variability in the South Australian National Electricity Market region, providing a range of services to support grid reliability and security – including essential stability services as well as “intra day” storage for six to eight hours duration.

ARENA CEO Darren Miller said pumped hydro will play a growing role as the share of renewables increases.

“With 50 per cent of total energy generation in South Australia coming from variable renewable energy in 2018, and an expectation that this will increase in the next two years, there is an increasing requirement for energy storage to firm and balance the system in that state. As part of this, pumped hydro has an important role to play in Australia's energy transition,” he said.

“Several potential pumped hydro projects are being developed in South Australia, which are well advanced and have been rigorously assessed as high merit. Based on the market need and high construction costs, we expect to fund only one project at this stage,” he said.

“This funding envelope, and this further assessment, is designed to ensure the best project proceeds with the least Government support,” he said.

ARENA has previously supported a range of PHES feasibility studies including Snowy 2.0, Hydro Tasmania's Battery of the Nation initiatives that include potential PHES sites, Genex's Kidston Stage 2 PHES facility in Queensland and the proposed expansion of Origin's Shoalhaven PHES plant in NSW.