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## Financial derivatives market for renewable generation and grid scale storage

On behalf of the Australian Government, the Australian Renewable Energy Agency (ARENA) has today announced \$845,000 in funding to energy market advisory firm Renewable Energy Hub to help create new financial products and a new world-first trading marketplace platform for renewable energy.

The market for financial products that sits around the Australian electricity system is estimated to be worth \$26 billion, almost \$10 billion more than the actual wholesale electricity market itself. However, this financial market largely serves traditional generation and has not evolved to embrace renewable energy generation in Australia, which requires financial products tailored to a variety of technologies and scales.

Renewable Energy Hub will work with market participants to develop a suite of new hedge contracts that are suited to both variable renewable energy such as wind, solar as well as batteries and demand response, as well as catering to the changing needs of energy retailers and large customers. These contracts could provide revenue certainty to renewable energy projects, which will help secure financing.

A new online marketplace platform will support trading by providing data and tools to facilitate energy price discovery, evaluate trading options and minimise transaction costs.

Traditional hedge contracts allow electricity retailers to manage price risk associated with the electricity that they buy. Generators also rely on hedge contracts to manage the volatility of wholesale electricity prices, smooth revenue flows, and underpin financing for new projects.

Renewable Energy Hub's project will help to develop new financial markets and a suite of new financial contracts that will meet the needs of today's market that has increased levels of renewable generation.

ARENA CEO Darren Miller said this project could unlock new revenue pathways for renewable energy and storage projects. Likewise, energy retailers and large energy users will benefit from access to standardised firm contracts for clean energy.

"While traditional generators have been able to reduce their risk from hedging contracts, these financial products and this market has not been available to solar and wind farms, batteries or pumped hydro -- because these financial products have usually been based on baseload electricity traded in flat 24 hour blocks, rather than hedging a few hours at a time or at peak generation times," he said.

"These new financial products will create new opportunities for renewable energy developers to sell their energy, and the marketplace will provide real time visibility and the tools needed to support buyers and sellers," he said.

"We hope that this project will help underpin new investment, and in turn put downward pressure on the price of new renewable energy and grid scale storage projects."

Renewable Energy Hub Manager of Environmental Markets Chris Halliwell said: "This new marketplace will facilitate trade in hedge contracts that reflect the 'shape' of renewable generation."

"By doing this we will be enabling new portfolios of wind and solar projects, batteries and other dispatchable generators to lock in revenues, and for energy retailers to manage prices during peak periods of the day."