

LARGE SCALE BATTERY STORAGE FUNDING ROUND

UPDATED FUNDING
ANNOUNCEMENT
(FULL APPLICATION STAGE)

JUNE 2022



Australian Government
Australian Renewable
Energy Agency

ARENA

TABLE OF CONTENTS

LARGE SCALE BATTERY STORAGE FUNDING ROUND (FULL APPLICATION STAGE)	3
1.0 FUNDING ROUND OBJECTIVES	3
2.0 FUNDING ALLOCATION	3
3.0 SCOPE OF ACTIVITY	4
4.0 RETROFITS AND EXPANSIONS	4
5.0 ELIGIBILITY REQUIREMENTS	4
6.0 CLARIFICATION OF MERIT CRITERIA	5
7.0 APPLICATION AND ASSESSMENT PROCESS	8
8.0 DEVELOPMENT COST REBATE	10
9.0 OFFER TO NEGOTIATE	11
10.0 PROJECT BID BONDS	11
11.0 FUNDING AGREEMENT	12
12.0 KNOWLEDGE SHARING PLAN	12
13.0 TIMETABLE	13
14.0 GLOSSARY	14
APPENDIX A - ADDITIONAL INFORMATION REQUIREMENTS	15

LARGE SCALE BATTERY STORAGE FUNDING ROUND (FULL APPLICATION STAGE)

This Updated Funding Announcement sets out the competitive process under which ARENA seeks to fund a minimum of three large-scale battery storage (LSBS) projects with advanced inverter capability (e.g. grid-forming inverters) under the Advancing Renewables Program (ARP). This process is referred to as the Funding Round. The Funding Round is a Competitive Process as defined in the ARP Guidelines and clauses 4.27 to 4.32 apply.

This Updated Funding Announcement should be read in conjunction with the [ARP Guidelines](#) which apply to the Funding Round. Definitions contained in the ARP Guidelines also apply to this Updated Funding Announcement, unless otherwise provided.

The term 'advanced inverters' is used in this Funding Round to refer to inverters with the capability to directly support power system operations by delivering the capabilities described in the Australian Energy Market Operator (AEMO) August 2021 report *Application of Advanced Grid-scale Inverters in the NEM*¹. Advanced inverters are often described as "grid-forming inverters" and contrast with the capabilities of grid-following inverters, which do not have the majority of the capabilities outlined in the AEMO report.

1.0 FUNDING ROUND OBJECTIVES

The Funding Round Objectives are to:

- a. accelerate demonstration of advanced inverter capabilities on LSBS projects at scale.
- b. overcome barriers that prevent LSBS projects from incorporating advanced inverter capabilities.
- c. improve industry understanding of the potential role of advanced inverters in supporting system stability during periods of very high inverter-based generation.
- d. reduce the reliance on synchronous generators and/or synchronous condensers for system stability.
- e. demonstrate the capability of advanced inverters (at scale) in multiple states and across multiple inverter types, such that they can be relied upon for critical system services in power system planning.
- f. inform the market regulatory bodies in order to facilitate the efficient delivery of services from Grid-Forming Batteries.

2.0 FUNDING ALLOCATION

ARENA has allocated \$100 million (Total Funding Allocation) for the Funding Round and intends to provide Grant Funding to a minimum of three projects as part of the Funding Round.

ARENA may allocate an amount of funding that is less than the Total Funding Allocation, or fund fewer than three projects, if the Proposals received are not considered to be of sufficient merit to support an offer of ARENA Funding or if it is not possible to support all high merit projects within the Total Funding Allocation. At its discretion, ARENA may also allocate an amount of funding greater than the Total Funding Allocation if it considers this to represent value for money and if ARENA has sufficient funding available.

¹ Available here: <https://aemo.com.au/-/media/files/initiatives/engineering-framework/2021/application-of-advanced-grid-scale-inverters-in-the-nem.pdf>

3.0 SCOPE OF ACTIVITY

The Funding Round is open to Proposals that demonstrate the use of advanced inverter technologies on LSBS projects at scale. Proposals must comply with the following parameters:

- a. projects must be grid-connected and operate in the National Electricity Market (NEM) or the Western Australia Wholesale Electricity Market (WEM);
- b. projects must use advanced inverter technology;
- c. projects must meet or exceed the minimum LSBS size of 70 MW (nameplate inverter rating). There is no maximum size limit;
- d. projects must be located at a single site;
- e. the maximum grant available to a single project is \$35 million; and
- f. projects must be capable of reaching Financial Close no later than 31 December 2023.

A project is required to satisfy the above conditions as part of either a brownfield or greenfield project. The project may be co-located with other generators or loads, however, ARENA Funding will only support the LSBS scope (including balance of plant and connection costs).

Projects that do not fit within these parameters are unlikely to be assessed as high merit under the Funding Round.

4.0 RETROFITS AND EXPANSIONS

In scenarios where an Applicant wishes to retrofit advanced inverter capability (e.g. grid-forming) onto an existing or committed² LSBS asset, it may elect to either:

- a. (*Retrofit*) request Grant Funding to contribute towards costs associated with retrofitting advanced-inverter functionality onto the existing (or committed) LSBS asset; or
- b. (*Expansion*) request Grant Funding to contribute towards the costs of expanding the existing LSBS asset and incorporating advanced inverter functionality across both the existing and new LSBS assets.

ARENA expects to allocate less than 50% of the Total Funding Allocation to Retrofits and Expansions.

Due to the nature of Retrofit projects, some of the requirements specified in this Updated Funding Announcement may not be applicable (e.g. Financial Close Satisfaction Date). ARENA reserves the right to waive certain requirements should they not be applicable.

5.0 ELIGIBILITY REQUIREMENTS

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

² A committed project is a project that has achieved Financial Close and all relevant parties and commercial contracts have moved to a binding and irrevocable stage.

6.0 CLARIFICATION OF MERIT CRITERIA

The following table sets out the merit criteria for the Funding Round. These criteria include all criteria in clause 3 of the ARP Guidelines, with additional clarifications included below. Applications must address each of these merit criteria. A list of requirements for each stage of the application process is provided at Appendix A which should be addressed, in addition to the items set out in this section.

ARP MERIT CRITERIA	MERIT CRITERIA GUIDANCE
<p><i>A - Contributes to the Funding Round Objectives</i></p>	<p><i>This criterion assesses how well the project contributes to the Program Outcomes and the Funding Round Objectives.</i></p> <p>In assessing the contribution of a Proposal to the Program Outcomes, ARENA will consider:</p> <ul style="list-style-type: none"> › the alignment of the project to the Funding Round Objectives. Projects that have larger ability to contribute to the Funding Round Objectives will be considered to be of higher merit under Merit Criterion A; and › the ability of the project to support system stability during periods of very high inverter-based generation, and thereby reduce the reliance on synchronous generators. ARENA may work with AEMO and external advisors to assess a project's ability to support system stability. This would include consideration of factors such as the grid-connection location, the size of the project (MW), and the inverter characteristics. <p><i>Additional guidance</i> ARENA's assessment will focus on:</p> <ul style="list-style-type: none"> › the potential for the project to be a major contributor to system stability within a region; › the potential for the project to facilitate higher penetrations of inverter-based generation within its region by deferring operational constraints (e.g. system strength constraints) through the provision of system services; › the quality and completeness of information and analysis to support key assumptions regarding technical performance; and › other details that provide confidence that the Proposal will meet the Funding Round Objectives.
<p><i>B - Applicant capability and capacity</i></p>	<p><i>This criterion assesses the capability and capacity of the Applicant and Activity Partners to deliver the project.</i></p> <p>In assessing this criterion, ARENA will consider:</p> <ul style="list-style-type: none"> › the demonstrated level of experience and expertise of the Applicant and its project partners (including equipment suppliers), including examples of successfully delivered battery and/or renewable energy projects of a similar nature, scale or value in Australia or internationally; and › 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. <p><i>Additional guidance</i> ARENA will have a particular focus on:</p> <ul style="list-style-type: none"> › the demonstrated ability of the Applicant and its Activity Partners to develop the project from its current stage to Financial Close, construction and operations; › the demonstrated capability of the inverter OEM, including examples of previous projects using advanced inverter capabilities in applications aligned with the Funding Round Objectives. <p>ARENA will focus on the level of commitment and engagement of key Activity Partners (including but not limited to major equipment suppliers, advisors and commercial partners) to support the delivery of the project.</p> <p>Full Application requirements</p> <ul style="list-style-type: none"> › Provide evidence of the firm commitments from Activity Partners supporting the project (e.g. letters of support or other agreements).

ARP MERIT CRITERIA**MERIT CRITERIA GUIDANCE**

C - Activity design, methodology, risk and compliance

This criterion assesses:

- › *whether the project is well designed and planned, including whether it has clearly defined objectives and methodology, as well as the approach to identifying, managing and reporting the personnel, delivery, technical and financial risks of the project;*
- › *activity risk in terms of the likely success of the project, the achievement of intended outcomes that align with the Program Outcomes, and the Funding Round Objectives;*
- › *the risk of negotiating and executing a Funding Arrangement which is acceptable to ARENA; and*
- › *compliance with any other requirements outlined in Part 5 of the ARP Guidelines.*

In assessing this criterion, ARENA will consider:

- › *the quality and completeness of the project plan;*
- › *the maturity of the project (project readiness), including the ability of the project to reach Financial Close before the Financial Close Satisfaction Date;*
- › *the completeness and credibility of the project timeline, including the timing of project development activities, Financial Close, and project delivery;*
- › *the process, status and rationale for equipment selection;*
- › *the rationale behind the selection of the inverter equipment, including why the inverter is well-suited to achieving the Funding Round Objectives;*
- › *the development status of the inverter PSSE and PSCAD models (this may be informed by the inverter readiness assessment that ARENA is conducting with Vysus);*
- › *the quality of the risk management plan and the extent to which key risks have been identified and mitigated;*
- › *the identification and consideration of all required permits (including environmental and planning), approvals and consents for the project; and*
- › *the Applicant's compliance with any other requirements outlined in Part 5 of the ARP Guidelines.*

Additional guidance

ARENA's assessment will focus on:

- › *the credibility of the project timeline and the quality of the project plan, which should demonstrate that the Applicant has the resources and capacity to meet ARENA's timeline for Financial Close;*
- › *whether the inverter OEM has PSSE and PSCAD models for its advanced operational modes (e.g. grid-forming) and whether these models have been updated for use in the Australian market context (e.g. Australian Generator Performance Standards) (this may be informed by the inverter readiness assessment that ARENA is conducting with Vysus);*
- › *the status of the grid connection application;*
- › *the maturity of key commercial relationships such as the offtake (where relevant) and the EPC contractor; and*
- › *the rationale behind the selection of the inverter equipment, including why the inverter is well-suited to achieving the Funding Round Objectives.*

Projects that demonstrate a more credible and timely pathway to Financial Close and commissioning may be assessed as higher merit. The project schedule should provide the expected timing of key development events supported with firm internal and external evidence (where applicable). ARENA requires that supported projects will be capable of achieving Financial Close no later than the Financial Close Satisfaction Date (31 December 2023). Projects that are capable of achieving Financial Close earlier may be considered higher merit.

Proposals for new-build projects (i.e. projects that are neither Retrofits nor Expansions) that propose to initially operate without advanced inverter capabilities (before retrofitting advanced inverter capabilities through clause 5.3.9 of the National Electricity Rules) may be considered lower merit than applications that commit to commence operations with advanced inverter capabilities incorporated.

Full Application requirements

- › *Final selection of a preferred inverter OEM, or (if not selected) an explanation of how and when a final inverter OEM will be selected in order to meet the Funding Round Objectives.*
- › *A compliance table (attachment) stating any general conditions of the updated Funding Agreement that you do not accept, accept in part or do not consider to be applicable.*
- › *A detailed Risk Management Plan (including work, health and safety issues and proposed mitigants) including management and mitigation strategies.*
- › *A Community Consultation Plan for the project.*

ARP MERIT CRITERIA

MERIT CRITERIA GUIDANCE

D - Financial viability and co-funding commitment

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 will assess:

- › *whether the Applicant and any Activity Partners have the financial capacity and appropriate levels of co-funding commitment to deliver the project successfully*
- › *the extent to which the Applicant or other Activity Partners are providing funding or in-kind support for the project*
- › *relevant industry benchmarks for the economics of a particular project.*

In assessing this criterion, ARENA will focus on the level of funding certainty to deliver the project as well as the cost competitiveness of the Proposal. This will include consideration for:

- › the cost competitiveness of the Proposal;
- › the deliverability of the financing plan;
- › the level of conditionality of the funding commitments;
- › the quality of the financial model and assumptions for the project;
- › the rationale for the requested amount of Grant Funding; and
- › the risk of cost overruns and the capacity of the Applicant to manage cost overruns.

Proposals are expected to clearly set out the level of confidence regarding project cost estimates which should include external evidence where applicable.

Proposals must present a credible trading strategy to support the project's revenue position. This may include evidence of a third party offtake agreement or term sheet.

The ARENA grant request is not expected to change materially between the EOI stage and the Full Application stage; refer to Section 7 part C for further clarification.

Additional guidance

The cost competitiveness of the Proposal will be assessed with consideration of:

- › the amount of Grant Funding requested as a proportion of the Total Project Cost; and
- › the amount of Grant Funding requested per MW of installed inverter capacity.

ARENA may, in its discretion, normalise Grant Funding requests for different tax positions adopted by Applicants and additional concessional inputs (if any) beyond the requested ARENA grant when considering any relevant project metrics.

Full Application requirements

- › an updated financing plan describing the Applicant's plan to secure the necessary sources of funding to deliver the project. The plan should describe the funding approval pathway (e.g. key milestones), articulate relevant funding requirements (e.g. hurdle rates), and an approach to cost-overruns and other financial risks.
- › the updated financing plan should also provide a clear explanation of the financing assumptions for the base case presented in the financial model provided;
- › documentation that evidences the level of commitment of debt and equity, including the likely parameters for final approvals
- › provide evidence of cost estimates (e.g. supplier pricing) and a description of the confidence level of those cost estimates, noting key assumptions;
- › provide a description of the methodology and rationale for estimating project revenue and operating costs;
- › a description of the estimated cost premium for utilising advanced inverters, including the capex and revenue impact (if any); and
- › provide a financial model for the project including all associated assumptions (refer to Appendix A for further clarification).

E - Knowledge sharing

This criterion assesses:

- › *the value of the knowledge generated by the project in contributing to the Program Outcomes;*
- › *how well that knowledge is targeted to specific audiences; and*
- › *how you will capture, store and disseminate the data, information and lessons learned from the project.*

In assessing this criterion, ARENA will consider:

- › how well the knowledge generated will contribute to the Funding Round Objectives;
- › the extent to which the Applicant is willing to comply with ARENA's Knowledge Sharing Plan; and
- › the extent to which additional valuable knowledge may be generated and shared from the project.

Additional guidance

Applicants must review and identify any proposed non-compliance with the Knowledge Sharing Plan. ARENA will be unlikely to accept subsequent proposed amendments that have not been raised in the Applicant's Full Application. The Proposal should include any additional knowledge sharing deliverables proposed.

Proposals must address the relevant Additional Information Requirements set out in Appendix A.

7.0 APPLICATION AND ASSESSMENT PROCESS

An application made under the Funding Round must be completed according to the ARP Guidelines.

Further detail is outlined below on the application and assessment process that is specific to the Funding Round.

a. Evaluation of Proposals

When evaluating Proposals against the Funding Round objectives, ARENA will assess Proposals against the Scope of Activity parameters and the clarification to the ARP merit criteria provided in Sections 3 and 6 above.

Note that Section 6.7 of the ARP Guidelines allows ARENA (in its absolute discretion) to reject, refuse to consider, or cease evaluating an EOI or Full Application at any time if ARENA determines (at its absolute discretion) that the EOI or 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 Funding Round.

Consistent with the ARP Guidelines, ARENA retains the right to offer a project an amount of funding which is less than the amount of funding requested.

b. EOI stage

EOI Proposals must clearly address each of the ARP merit criteria, taking into account the clarifications provided in the table above. EOI Proposals will be assessed against the ARP merit criteria, and rank ordered. Each merit criterion has equal weight.

Only Proposals assessed as being of high merit against the ARP merit criteria may be invited to submit a Full Application. Not all projects assessed as high merit may be invited to submit a Full Application; only the highest ranking projects will be invited to submit a Full Application.

ARENA may publish the list of Applicants that have been invited to submit a Full Application, as well as a brief project description.

Applicants that intend to submit an EOI must submit an application via [ARENAnet](#) under 'Advancing Renewables Program - Large Scale Battery Storage Funding Round' no later than 5pm (AEST) on the EOI Due Date (see Section 13).

Further details on information requirements for the EOI stage are presented at Appendix A.

c. Full Application stage

A Full Application will only be accepted from Applicants invited by ARENA to submit a Full Application following the assessment of EOIs. Full Applications must clearly address each of the ARP merit criteria, taking into account the clarifications provided in the table above. Full Applications will be assessed against the ARP merit criteria and rank ordered. Each merit criterion has equal weight.

Only Proposals that are assessed as being of high merit against the ARP merit criteria at Full Application stage will be considered for funding.

The highest ranked Proposals will be recommended to the ARENA Board for funding approval subject to the Total Funding Allocation available and the portfolio approach described below.

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

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

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

ARENA retains the right to not assess Full Application Proposals where a material change(s) is observed from the EOI stage. ARENA will determine, at its discretion, whether any such change is material in nature.

A material change could include:

- i. a change in the geographic location of the project;
- ii. a decrease in project size greater than 10% of the MW capacity;
- iii. a change in timing of target Financial Close by more than 3 months; and/or
- iv. an increase in the size of the grant request greater than 10% of the grant request at the EOI stage.

Similarly, no material change to the project is expected between the Full Application and Financial Close. ARENA will determine, at its discretion, whether any such change is material in nature. In the event that a material change occurs, ARENA reserves the right to determine if the changes are acceptable and support the Funding Round Objectives.

ARENA may, at its discretion, determine it is appropriate to increase the amount of ARENA Funding if it is considered to represent value for money and in line with the Funding Round Objectives and subject to the Applicant meeting the conditions of the Offer to Negotiate letter.

d. Q&A process

A Q&A process will be undertaken during the application process to respond to Applicant queries on applications and assessment. Queries can be emailed to batteryround@arena.gov.au. Responses for commonly asked questions will be published on arena.gov.au.

ARENA may work with Applicants (and/or their partners) to develop Proposals or facilitate collaboration where doing so may assist in ARENA achieving the Funding Round Objectives. ARENA reserves the right to work with Applicants that are invited to submit a Full Application, but does not intend to work with Applicants during the EOI stage. Further guidance on how ARENA will work with Applicants will be contained in the Updated Funding Announcement at the commencement of the Full Application stage.

e. Publication of information

At the conclusion of the Full Application stage of the Funding Round, ARENA may publish aggregated and non-identifiable data³ from the Proposals received to provide a high level of transparency to stakeholders on the range of Proposals received. This may include information on the following:

- i. Proposed project sizes (MW, MWh).
- ii. Total project cost (normalised per MW).
- iii. Grant Funding amount per MW.
- iv. ARENA grant as a percentage of Total Project Cost.
- v. Total Project Cost or Grant Funding by state.
- vi. Number of full time equivalent employees (FTEs) required during the construction period and number of ongoing FTEs during the operation of the project.

f. Portfolio approach

ARENA intends to apply a portfolio approach when offering funding under the round (as set out under ARP Guidelines clauses 4.23 and 4.24). ARENA may elect not to fund an otherwise meritorious project, if the aims or outcomes of that project are the same as, or similar to, the aims and outcomes of a project that ARENA is intending to fund through the Funding Round. For example, ARENA may specifically have a preference to fund a project that is able to demonstrate the performance of an additional inverter type, or demonstrate the capabilities of a LSBS with an advanced inverter in an additional region.

³ Where relevant, ARENA expects to present data and information on the basis that it has been received.

8.0 DEVELOPMENT COST REBATE

A combined total of up to \$3 million (Development Cost Rebate Amount) will be made available to partially reimburse qualifying Applicants for project development costs incurred during the application process (Development Cost Rebate). This will only be available to Applicants who are invited to submit a Full Application and who do not subsequently receive an offer of funding. The maximum amount of Development Cost Rebate payable with regards to a single Proposal is \$0.5 million (excluding GST). Applicants that receive an Offer to Negotiate are not eligible to receive funds under the Development Cost Rebate.

The Development Cost Rebate is designed to provide:

- a. an incentive for projects to progress their development activities, including grid connection, during the ARENA assessment process;
- b. an accelerated pathway to Financial Close; and
- c. a pipeline of more advanced projects in the event that a project does not receive an Offer to Negotiate.

Applicants that are eligible for the Development Cost Rebate may request up to 50 per cent of Verifiable Third Party Costs subject to:

- a. evidence of the costs being incurred in the period between the EOI Open Date and the date of the Full Application outcome letter (ARENA will not pay for costs incurred outside this period);
- b. evidence of the costs being substantially required to advance the development of the project as presented in the Full Application; and
- c. the costs relating to services that are being provided by a suitably qualified party.

The decision on an Applicant's eligibility to receive the Development Cost Rebate, and the amount of any payment to any Applicant, is at the absolute discretion of ARENA. Any development costs incurred by the Applicant during the Full Application stage are at the Applicant's own risk.

No Development Cost Rebate will be provided where other Grant Funding from another party has been received in support of the Verifiable Third Party Costs.

In the event that ARENA receives compliant Development Cost Rebate claims greater than the Total Development Cost Rebate Amount, the amount of the actual Development Cost Rebate payable to an Applicant will be prorated (reduced) according to the Verifiable Third Party Costs incurred.

To be eligible to receive a partial rebate, an Applicant must satisfy the following requirements:

- a. an eligible Full Application must be lodged by the Full Application Due Date in accordance with the Updated Funding Announcement;
- b. the Full Application must not include a material change relative to the EOI (refer to Section 7 part c);
- c. the Applicant does not receive an offer of funding under the Funding Round;
- d. the Applicant must address the feedback provided by ARENA in response to the Applicant's EOI;
- e. the Applicant must submit a request for Development Cost Rebate payment using the prescribed form (to be provided); and
- f. the request for the Development Cost Rebate payment must be accompanied by detailed third party material and supporting information.

On acceptance of a Development Cost Rebate request, ARENA will provide further information on how such payment will be made.

9.0 OFFER TO NEGOTIATE

Upon the award of ARENA Funding, ARENA will issue a non-binding offer to negotiate a Funding Agreement (Offer to Negotiate) to Applicants that are successful at the Full Application stage of the Funding Round. The Offer to Negotiate will outline the terms under which ARENA is prepared to enter into negotiations for a Funding Agreement for the Proposal. The Offer to Negotiate will outline:

- a. the amount of ARENA Funding that is being offered;
- b. the development milestones that the Applicant is required to meet (such as relevant milestones up to and including Financial Close);
- c. the terms under which ARENA may withdraw the offer of funding;
- d. requirements for monthly confirmation that the Applicant is proceeding with the project;
- e. Bid Bond details and associated Deed Poll; and
- f. any other relevant information.

Where ARENA considers (at its sole discretion) that an otherwise meritorious proposal has requested an unnecessarily large ARENA grant, ARENA will have the right to offer a smaller ARENA grant in its Offer to Negotiate.

10.0 PROJECT BID BONDS

When an Offer to Negotiate letter is issued to an Applicant requesting an ARENA grant greater than \$5 million, the Recipient will be required to provide ARENA with a bid bond of \$500,000 (Bid Bond). Applicants requesting an ARENA grant less than \$5 million will not be required to provide a Bid Bond to ARENA.

The Bid Bond will be due to ARENA within 20 business days following the date of the Offer to Negotiate letter. The Bid Bond amount represents a genuine pre-estimate of the costs that would be incurred by ARENA in seeking a replacement project in the event that an Applicant that has received an Offer to Negotiate but does not proceed to Financial Close within the timetable prescribed in the Offer to Negotiate. Bid Bonds will be forfeited if a project does not reach Financial Close by the date specified in the Offer to Negotiate letter, unless ARENA grants an extension to that timeline (in its discretion).

The Bid Bond must be issued by a bank with a branch in Sydney or Melbourne 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:

- a. ARENA may make a demand under the Bid Bonds if:
 - i. the Applicant withdraws from negotiations in respect of the Funding Agreement;
 - ii. the Applicant does not achieve a development milestone; and
 - iii. once the Funding Agreement has been entered into, the Applicant fails to meet Financial Close on or before the Financial Close Satisfaction Date.
- b. ARENA must return the Bid Bonds to the Applicant if the Applicant achieves Financial Close on or before the date specified in the Offer to Negotiate.

11.0 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 Funding Round.

ARENA will issue a revised Funding Agreement template to successful EOI Applicants at the commencement of the Full Application stage. The revised Funding Agreement template (including a separate template for Retrofit projects) will also be shared on the ARENA website page dedicated to the Funding Round at arena.gov.au/funding/grid-forming-battery. The Updated Funding Agreement provides ARENA with the ability to adjust the amount of funding offered to a successful project should there be material changes to the economics of that project at Financial Close. While the updated Funding Agreement does not propose a recoupment mechanism, ARENA reserves the right to incorporate a recoupment mechanism in the Funding Agreement where appropriate to do so.

It is expected that the ARENA Funding Agreement template may not be suitable for projects seeking debt finance as part of their overall project financing solution. Where a project is to involve project finance (or otherwise involves the provision of debt finance from senior lenders), ARENA reserves the right to issue an amended form of the funding agreement template that more appropriately deals with these additional sources of funds.

At the Full Application stage, compliance with the Funding Agreement will form part of ARENA's assessment of project risk under ARP Merit Criterion C.

12.0 KNOWLEDGE SHARING PLAN

A Knowledge Sharing Plan specific to the Funding Round is provided at arena.gov.au/funding/grid-forming-battery. Applicants are expected to accept this Knowledge Sharing Plan with no, or very limited, changes. Compliance with the Knowledge Sharing Plan will form 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 both their EOI and Full Application. Applicants are encouraged to include any incremental knowledge sharing outputs that it considers to be valuable to the market.

13.0 TIMETABLE

ARENA reserves the right to not accept a Full Application submitted after the relevant Due Date specified below (or as amended).

The below dates represent the current timetable for the Funding Round. ARENA retains the right to amend proposed timelines and stages or alter any element of the Funding Round at its discretion. ARENA will monitor the COVID-19 situation as the Funding Round progresses. If ARENA, at its discretion deems it beneficial to achieving the Funding Round Objectives, ARENA may extend or change the timetable for the Funding Round.

The indicative timetable for the Funding Round is presented in the table below.

EOI STAGE	
EOI Open Date	Tuesday 1 February 2022
EOI Due Date	5pm Australian Eastern Standard Time (AEST), Thursday 31 March 2022
EOI outcomes	ARENA aims to issue invitations to submit a Full Application within 30 business days of EOI Due Date. Unsuccessful Applicants will also be notified in a similar timeframe.
FULL APPLICATION STAGE	
Full Application Due Date	5pm AEST, Wednesday 20 July 2022
Period of clarifications	ARENA's technical advisor may be in contact with Applicants following submission of a Full Application to request clarifications. Applicants should be able to respond to any such request within 3 business days.
Offer to Negotiate or communication of outcome of the Full Application stage	ARENA aims to issue outcome letters from the Full Application stage in November 2022.
Bid Bond provided	No more than 20 business days following an Offer to Negotiate.
IMPLEMENTATION	
Financial Close Satisfaction Date	31 December 2023
Commissioning date	ARENA anticipates that supported projects should achieve commissioning no later than 18 months following Financial Close.
ARENA reporting period	Extends to the second anniversary of the commissioning date

14.0 GLOSSARY

\$	All references to dollars or \$ are to Australian Dollars.
AEST	Australian Eastern Standard Time
ARENA Funding	Grant funding to be provided by ARENA under this Updated Funding Announcement
ARP	Advancing Renewables Program
Bid Bond	Amount of \$500,000 to be paid by Applicant to ARENA 20 business days following an offer of ARENA Funding.
Development Cost Rebate	Partial rebate of development costs subject to the conditions set out in Section 8.
EOI Open Date	1 February 2022
EOI Due Date	5pm AEST, Thursday 31 March 2022
Expansion	Proposals to expand an existing or committed LSBS asset by constructing a new LSBS asset adjacent, and incorporating advanced inverter functionality across both the existing and new LSBS assets.
Financial Close	The point in time that all commercial contracts required for the project to proceed become binding.
Financial Close Satisfaction Date	Date for meeting all conditions required to achieve Financial Close. ARENA anticipates that supported projects will be required to achieve Financial Close prior to 31 December 2023.
FTE	Full time equivalent employees (including those working on the project under contract or other employment arrangements)
Funding Agreement	The agreement between a Recipient and ARENA for funding under the ARP. A template will be available on the ARENA website.
Funding Round	The competitive process that will be used by ARENA under the ARP to fund three or more LSBS projects as set out in this Updated Funding Announcement.
Funding Round Objectives	The objectives of the Funding Round as described in Section 1 of this Updated Funding Announcement.
Grant Funding	Grant Funding includes both ARENA Funding and other Grant Funding a project may receive from State or Federal Government initiatives. It excludes concessional finance such as from the Clean Energy Finance Corporation (CEFC) or the Northern Australia Infrastructure Facility (NAIF).
Grid-Forming Batteries	LSBS assets that have advanced inverter capabilities enabled.
Knowledge Sharing Plan	Template plan setting out the minimum knowledge sharing deliverables expected to be provided by the Applicant.
LSBS	Large-Scale Battery Storage
Offer to Negotiate	ARENA will issue a non-binding offer to negotiate a Funding Agreement to those Applicants that are successful at the Full Application stage of the Funding Round.
Proposal	Has the same meaning as in the ARP Guidelines
Retrofit	Proposals that seek to incorporate advanced-inverter functionality onto an existing or committed LSBS asset.
Total Development Cost Rebate Amount	Up to a combined total of \$3 million.
Total Funding Allocation	\$100 million allocated to this Funding Round.
Total Project Cost	All costs incurred to construct and finance the project including costs incurred during the development stage.
Updated Funding Announcement	This updated version of the Funding Announcement (previous version released on 24 December 2021).
Verifiable Third Party Costs	Includes external costs that are clearly and evidently related to development of the project. Verifiable Third Party Costs must be incurred between the date of invitation to submit a Full Application and the date of the Full Application outcome letter. Verifiable Third Party Costs must be supported by third party information (such as a contract or invoice) that clearly specifies the nature of the work, the project, the cost and the dates on which the costs are incurred. The acceptance of any cost as a Verifiable Third Party Cost is at ARENA's absolute discretion.

APPENDIX A – ADDITIONAL INFORMATION REQUIREMENTS

Note Proposals should include the information specified in this Appendix in addition to the guidance provided in Section 6 Clarification of Merit Criteria.

EOI STAGE

At EOI stage, include:

- › Applicants must provide the following:
 - a. Evidence of access to land for the proposed project.
 - b. A financing plan for all other capital required for the project (including with respect to debt and/or equity).
 - c. Evidence of Total Project Cost estimates and a description of the confidence level of those cost estimates, noting key assumptions.
 - d. Evidence of proposed supplier(s) pricing.
- › In addition to the requirements specified in Section 6 Clarification of the Merit Criteria, Applications should also provide a project plan document that includes (at a minimum):
 - a. Summary of the project including description, size and proposed location.
 - b. Summarise the level of project technical definition and pathway to Financial Close.
 - c. List the key Activity Partners including proposed equipment suppliers, major subsidiaries and associated entities and details of current Australian operations and relevant experience in Australia and internationally. Include any examples where the Applicant and/or the Applicant's consortium members have successfully delivered battery or renewable projects in Australia, or internationally.
 - d. Detail on current status of development, planning and environmental approvals, permits and /or licenses required for the project and anticipated pathway and timing to finalisation.
 - e. Detail of site control and other land access requirements, including current status of approvals.
 - f. Detail of any regulatory licences required to carry out the project and current status of registration.
 - g. Detail regarding the status of the grid connection application process and where possible, evidence provided to confirm the current status (if relevant).
 - h. Timetable for the project, including key milestones, target final investment decision, target Financial Close date and target commissioning date.
 - i. Details of all development costs incurred to date.
 - j. Breakdown of development costs estimated to be incurred prior to Financial Close, including evidence for cost estimates if applicable.
 - k. An outline of the proposed capital structure to fund the project including evidence of the proposed sources of such funds, noting level of commitment in line with the compulsory requirements above.
 - l. Details of how contingency and potential cost overruns will be managed.
 - m. Analysis to demonstrate a clear path to further cost reductions beyond this project, which might allow the project to be replicated with a reduced subsidy within the medium term.
 - n. Details on any concessional components of the project (including but not limited to anticipated State Government support).
 - o. Details on any climate risk aspects identified for the project.
 - p. Analysis demonstrating that the project would not be able to proceed without the requested ARENA Funding.
 - q. Note the status of any community consultation that has occurred to date and any planned activities.
 - r. Analysis and supporting information regarding any potential impacts that COVID-19 may have on the delivery of the project. This may include feedback or information from suppliers, financiers and other key stakeholders.

Attachments

- a. A detailed risk management plan (including work, health and safety issues and proposed mitigants) for the project including management and mitigation strategies.
- b. A statement of acceptance of the requirements set out in the Knowledge Sharing Plan.

Financial Model

- › A dynamic financial model should also be provided, including at a minimum:
 - a. All associated costs of deployment with clear breakdown of cost categories.
 - b. All assumptions to be clearly labelled and dynamic.
 - c. Note the proposed tax treatment of the ARENA Funding.
 - d. Ability to clearly sensitise the model to view the equity IRR (pre and post tax) with and without ARENA Funding (and other Grant Funding).

FULL APPLICATION STAGE

- › Applicants should provide the following:
 - a. Documentation that evidences the level of commitment of debt and equity, including the likely parameters for final approvals.
 - b. Evidence of Total Project Cost estimates and a description of the confidence level of those cost estimates, noting key assumptions.
 - c. Confirmed inverter OEM for equipment supply.
- › In addition to the requirements specified in Section 6 Clarification of Merit Criteria, Applications should also provide a project plan document that includes (at a minimum):
 - a. Summary of the project including description, size, and the proposed location.
 - b. Summarise the current technical design of the project including the rationale for selection of equipment suppliers and the EPC contractor.
 - c. Summarise the level of project technical definition and pathway to Financial Close, including evidence of work undertaken to date.
 - d. List the key Activity Partners including equipment suppliers and provide the incorporation details, major subsidiaries and associated entities and details of current Australian operations and relevant experience in Australia and internationally. Include any examples where the Applicant and/or the Applicant's consortium members have successfully delivered battery or renewable related projects in Australia, or internationally.
 - e. Detail on current status of development, planning and environmental approvals, permits and /or licenses required for the project and anticipated pathway and timing to finalisation.
 - f. Evidence of land access for the proposed site of the project.
 - g. Detail of any regulatory licences required to implement the project and current status of registration.
 - h. Detail regarding the status of the grid connection application process and where possible, evidence provided to confirm the current status (if relevant).
 - i. Timetable for the project, including key milestones, target final investment decision, target Financial Close date and target commissioning date.
 - j. Details of all development costs incurred to date.
 - k. Detailed breakdown of all development costs required for the project to achieve Financial Close. This should include the timing of all costs and third party evidence for cost estimates. Development costs expected to be incurred prior to Financial Close should be clearly identifiable. Note any development costs that will be repaid at Financial Close.
- l. An outline of the proposed capital structure to fund the project including evidence of the proposed sources of such funds, noting level of commitment in line with the compulsory requirements above, including timeline for financing becoming unconditional.
- m. Details of how contingency and potential cost overruns will be managed.
- n. Details on the proposed maintenance and replacement regime for the lifetime of the asset.
- o. Details on all concessional components of the project.
- p. Details on any climate risk aspects identified for the project.
- q. Analysis demonstrating that the project would not be able to proceed without the requested ARENA Funding.
- r. An appendix noting responses to any EOI feedback.

Attachments

- a. A detailed risk management plan (including work, health and safety issues and proposed mitigants) including management and mitigation strategies.
- b. A community consultation plan for the project.
- c. A statement of acceptance of the requirements set out in the Knowledge Sharing Plan.
- d. A compliance table stating any general conditions of the updated Funding Agreement that are not accepted, accepted in part or are not considered to be applicable.
- e. Letters of support of commitment from partners.
- f. List of any further documents available for due diligence.

Financial Model

- › A dynamic financial model should also be provided, including at a minimum:
 - a. all expected revenues over the life of the project, including the source of these revenue projections
 - b. All associated costs of deployment with clear breakdown of cost categories.
 - c. All assumptions to be clearly labelled and dynamic.
 - d. Note the proposed tax treatment of the ARENA Funding.
 - e. Ability to clearly sensitise the model to view the equity IRR (pre and post tax) with and without ARENA Funding (and any other concessional funding).

Further information is available at
arena.gov.au

Australian Renewable Energy Agency

To explore potential for funding visit:
arena.gov.au/funding

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Engage with us

ARENAWIRE



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