



Australian Government

Department of Climate Change, Energy,  
the Environment and Water

# Capacity Investment Scheme

Western Australia  
Design Paper  
Consultation Webinar

Presenters

**Matt Brine (DCCEEW)**

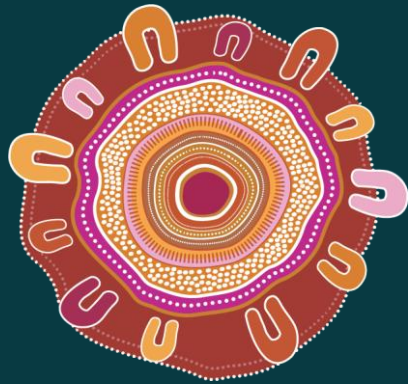
**Zoe Konovalov (DCCEEW)**

**Neetika Kapani (AEMO)**

Date

**Thursday 18 April 2024**





We acknowledge the Traditional Owners of Country throughout Australia and recognise their continuing connection to land, waters and culture. We pay our respects to their Elders past and present.



# Disclaimer

The Commonwealth of Australia, as represented by the Department of Climate Change, Energy, the Environment and Water, has produced this publication to provide high-level and initial guidance on the proposed Capacity Investment Scheme (CIS) Western Australia Design. The WA rollout of the CIS is presently under development and the information contained in this publication is subject to change. This publication does not indicate commitment by the Australian Government to a particular course of action in relation to the CIS or otherwise.

Any transaction implemented under the rollout of the CIS will have its own terms set out in relevant disclosure and process documents. The reader should make their own inquiries of all relevant information and take necessary legal and other professional advice, before taking any action.

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# Our presenters today



**Matt Brine** |

*Head of Office – Office of the Capacity Investment Scheme, DCCEE*



**Zoe Konovalov** |

*Director, Economic Analysis & Modelling Team – Office of the Capacity Investment Scheme, DCCEE*



**Neetika Kapani** |

*Manager – WA Capacity Market Investment, AEMO*



# Purpose of today's discussion

1



Introduce the Capacity Investment Scheme WA Design Paper

2



Overview of the Wholesale Electricity Market (WEM)

3

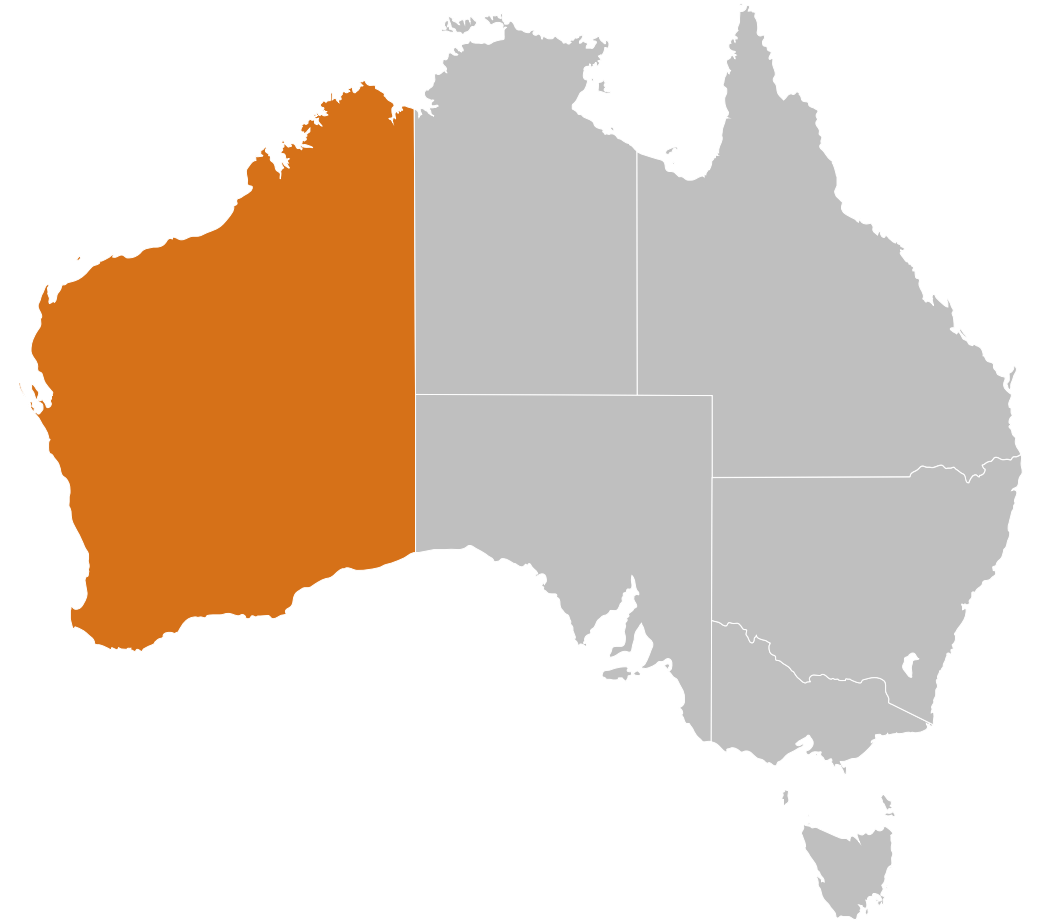


Focus on the CIS in the WEM

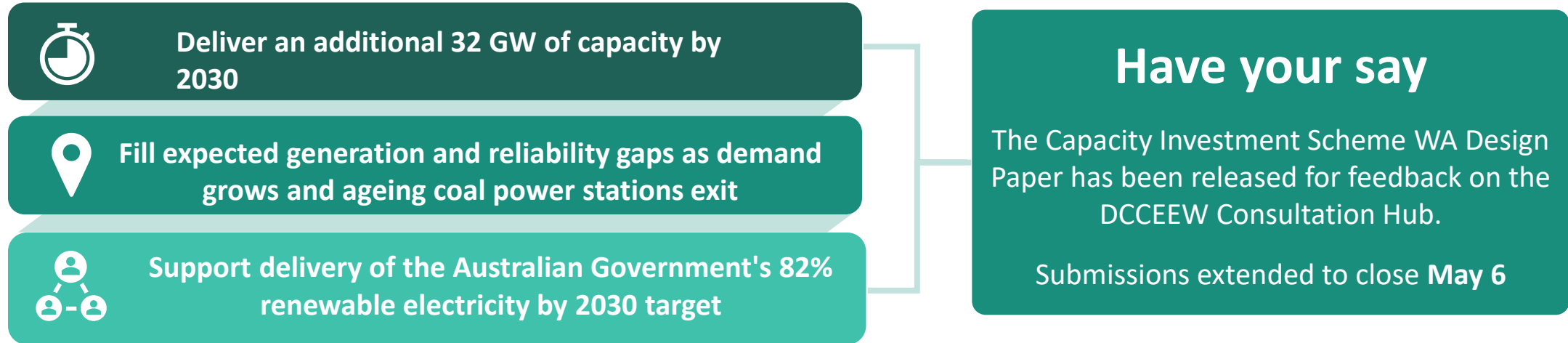
4



Submit your response to the WA consultation

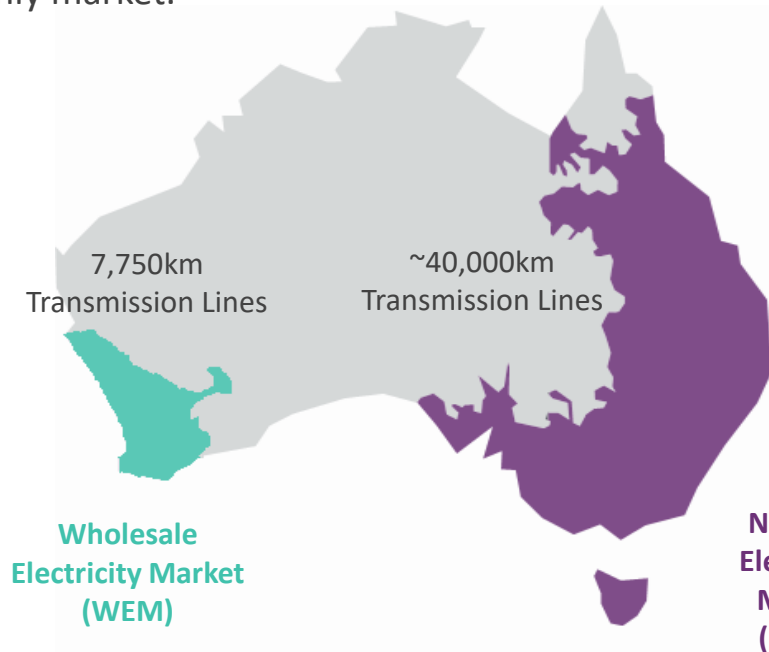


# The Capacity Investment Scheme

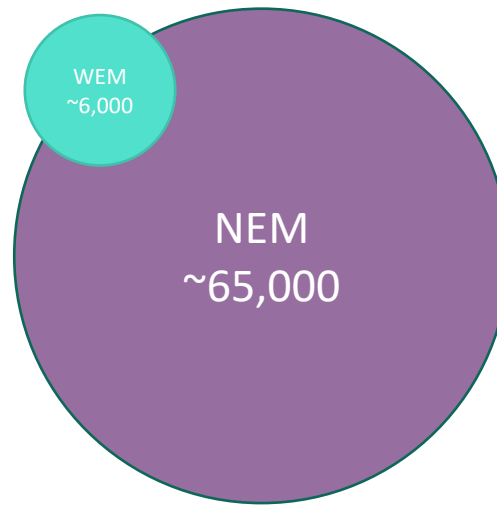


# NEM vs WEM

The WEM is a significantly smaller market than the NEM, but it makes up a large geographic size for its capacity and demand and is not connected to any east-coast networks or energy sources. An important difference is the presence of a capacity market in the WEM, while the NEM is an energy-only market.

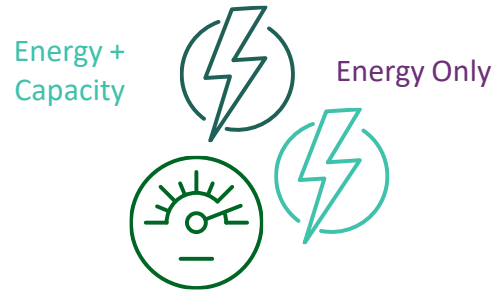


Geographic Spread of the Markets

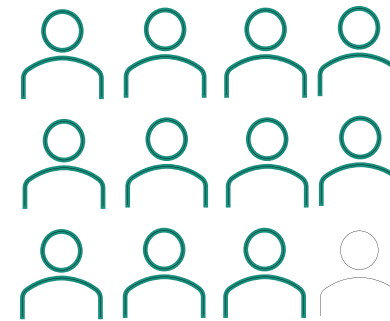


While the WEM may be a smaller market than the NEM, complexities and challenges are emerging earlier or are more extreme.

## Generation Capacity (MW)

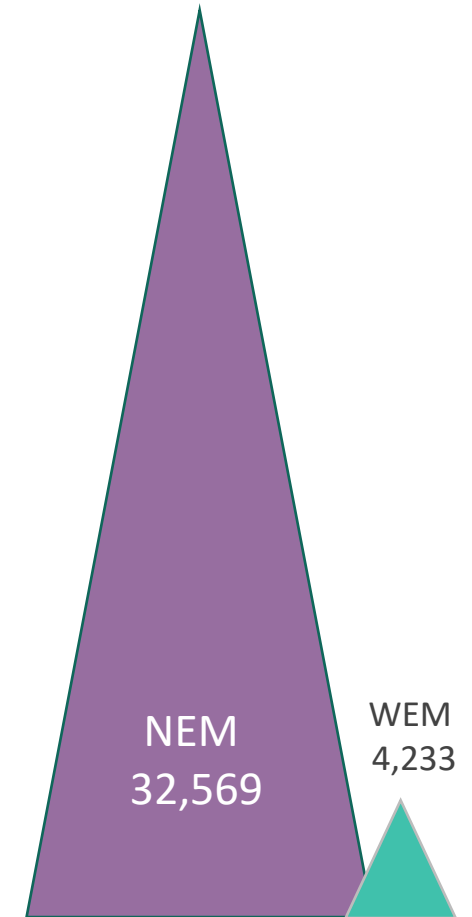


## Market Type



## Number of Customers\* (1M)

\*Customers denotes the connection points on the network

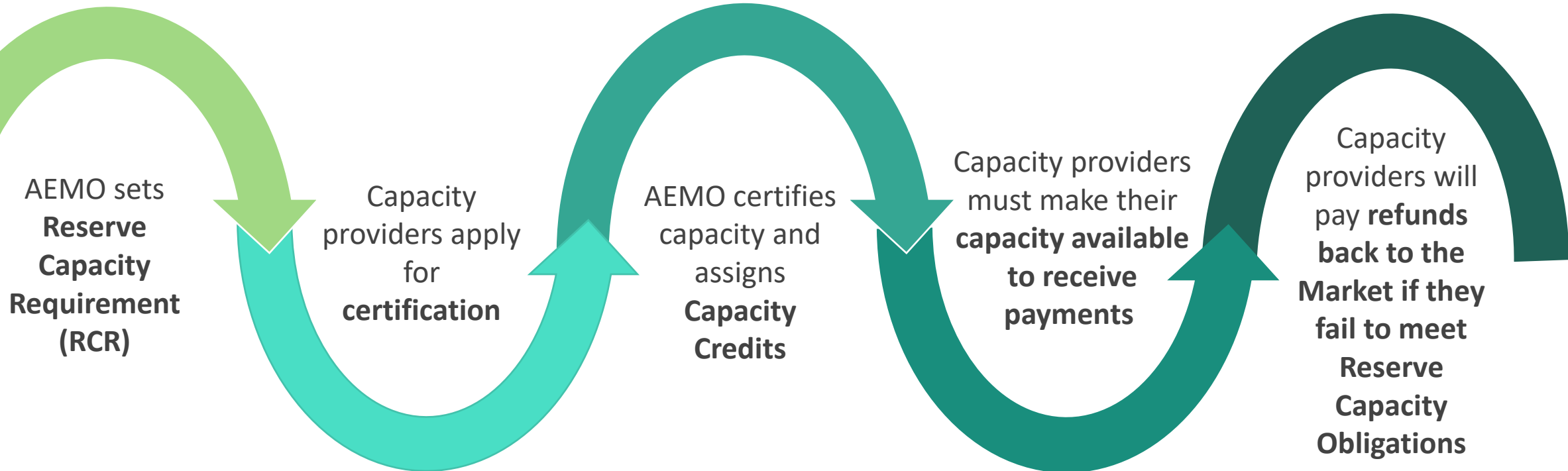


## Peak Operational Demand (MW)

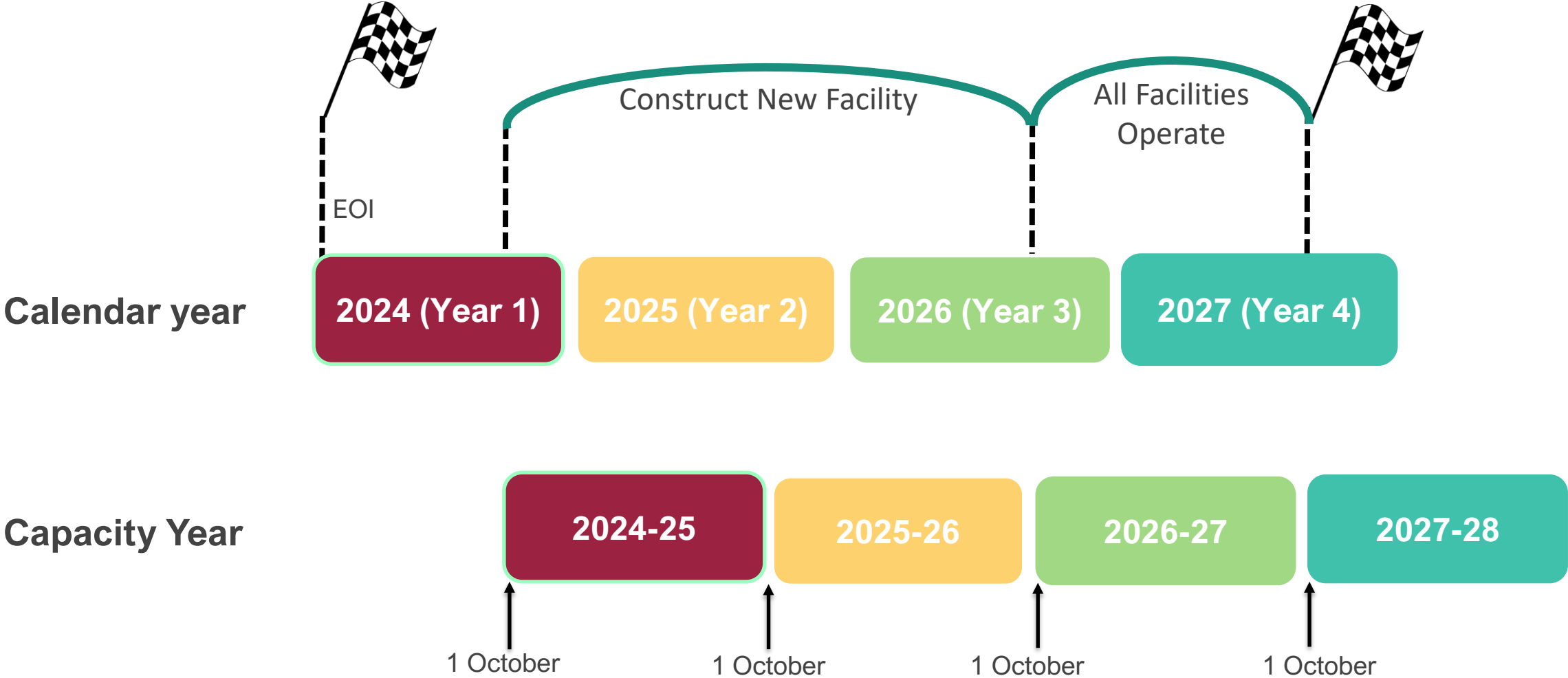


# What is the RCM?

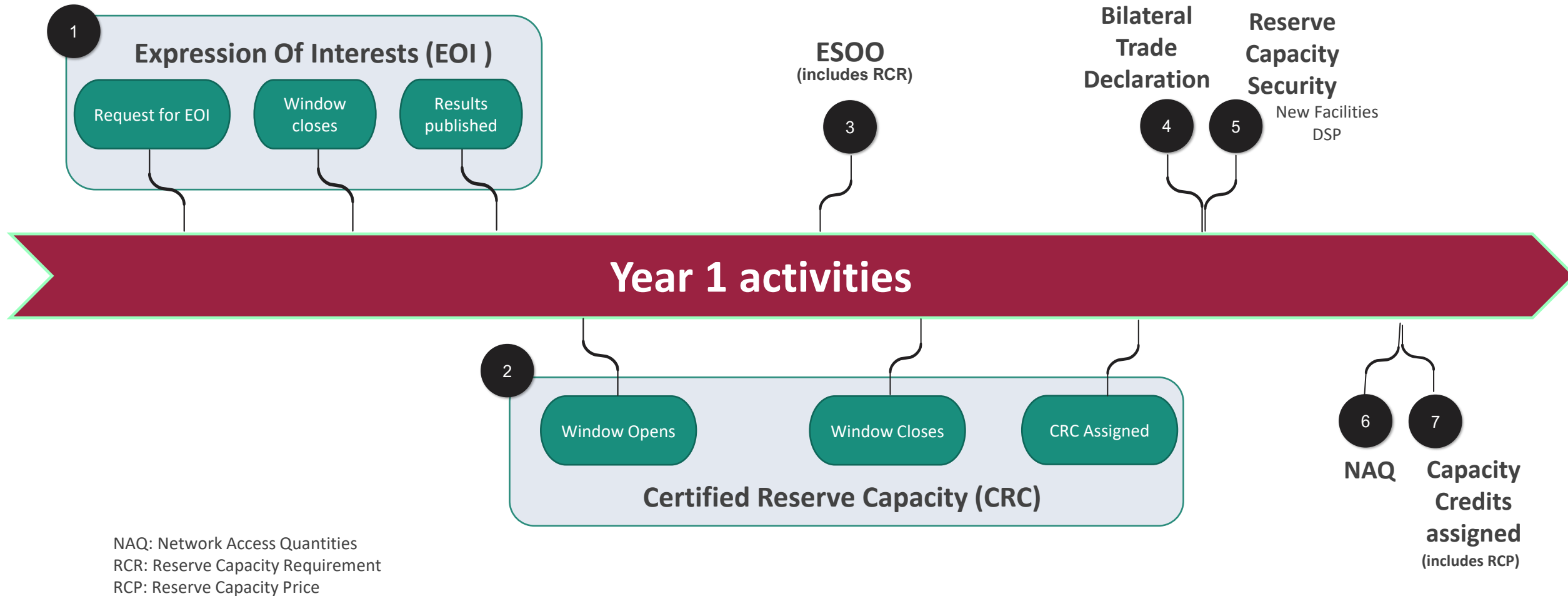
A mechanism to encourage capacity in the SWIS to meet peak demand two years in the future, in line with Reserve Capacity Requirement expectations set in the WEM Electricity Statement of Opportunities (ESOO).



# Reserve Capacity Cycle and Capacity Year



# The key RCM processes



# Indicative tender schedule for the WEM

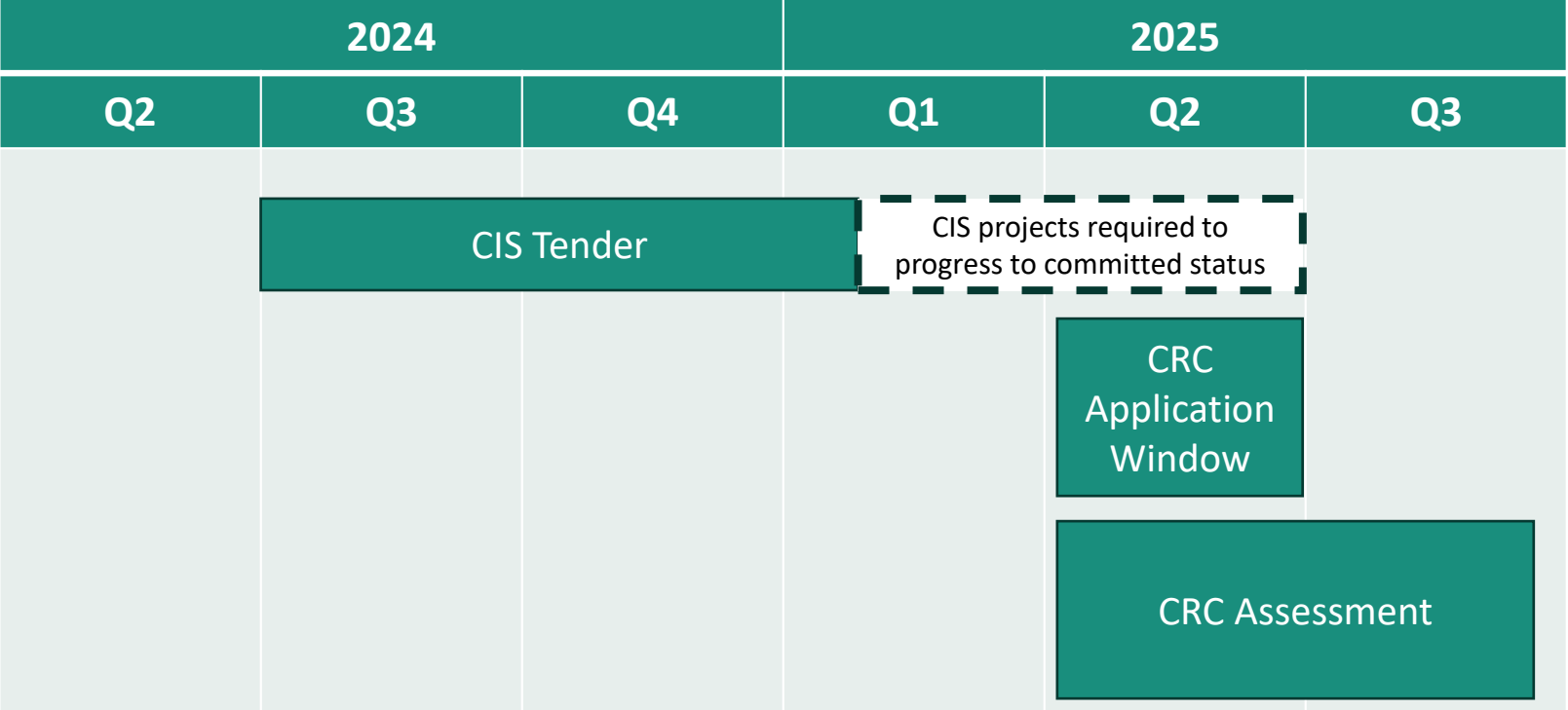
WEM Product	2024		2025		2026		2027
	H1	H2	H1	H2	H1	H2	H1
Clean dispatchable CISA		1		2		3	
Generation CISA				2		3	

Tender 1 is expected to be open to eligible clean dispatchable projects

Precise timing for the CIS tender process will be made clear in the CIS Tender Guidelines

**2025 RCM Cycle**  
 This is in advance of the capacity assessment processes of the 2024 RCM cycle (applications scheduled to close 24 June 2025).

# CIS tender timing will harmonise with 2025 RCM CRC process



Allows projects to achieve the level of financial commitment required for Capacity Credits

Timing may enable projects to use a CISA to achieve bankability

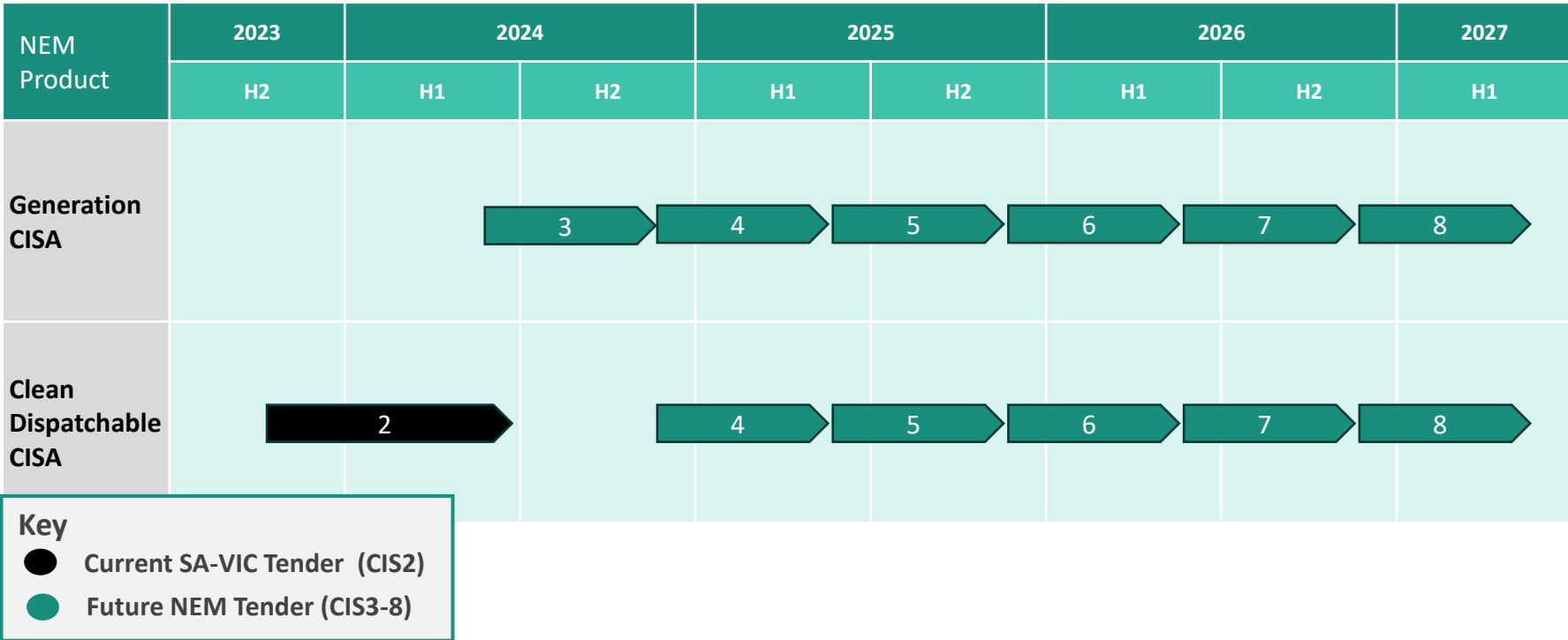
Expected provisions to share information with AEMO to facilitate AEMO's RCM assessments

**Relative to RCM, CIS supports wider range of commencement dates**

The CIS does not adhere to the RCM’s annual, two-year-ahead cycle. The CIS tender process will be open to all projects that achieve, or are expected to achieve, financial close from the relevant announcement onwards:

- 8 December 2022 for Clean Dispatchable CISA tenders, or
- 23 November 2023 for Generation CISA tenders.

# Indicative tender schedule for the NEM\*



Tender 3 is expected to seek:  
**6 GW** renewables across the NEM.

Tender 4 is expected to seek:  
**4 GW** renewables  
**3 GW** dispatchable across the NEM.

Tenders 5-8 will seek bids for the remainder of the total renewable and dispatchable capacity.

\*As outlined in the February 2024 Design Paper

# CIS products in the WEM

## Dispatchable CISA

- Proponents will bid the floor and ceiling revenues with reference to the total facility revenue per unit of rated capacity (\$/MW).
- This is considered appropriate given the wide range of revenue streams that facilities are likely to earn, and the real-time trade-offs between revenue streams (e.g. between energy and FCESS).

## Generation CISA

- To be covered (in a future webinar or documentation) closer to the Generation CISA tender in 2025

## Principles of the CISA commercial structure

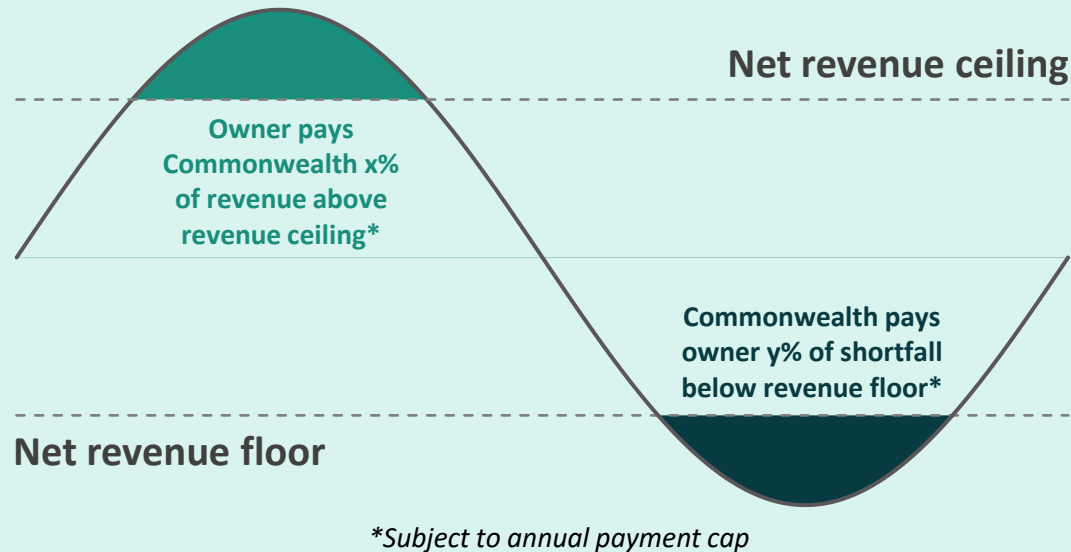
- Investor certainty increased through long-term underwriting and tender process.
- Limited to no impact on WEM and RCM functions, except for performance and RCM engagement requirements.
- Flexibility in contracting and participating in the wholesale contracts market.
- Limited operational requirements that supplement existing price signals and rules to ensure projects participate in the WEM and RCM.

Further details to be provided in draft term sheets

# Dispatchable CISA

## For Clean Dispatchable CISAs

Proponents will bid the floor and ceiling revenues with reference to total facility revenue per unit of rated capacity (\$/MW).



## Floor and Ceiling:

Bid as \$/MW of Capacity Credits held by the project in the relevant support year

## Bilateral contracts:

Revenues earned under bilateral contracts will be included in underwriting calculations (expected to share information about revenue earned under such contracts).

## Limited performance requirements:

Projects are required to:

- Participate in the RCM, make the project available in line with performance obligations under the RCM.
- Comply with its obligations under the WEM rules.
- Respond to price signals of relevant markets.



# Ownership structure

## Requirements:

- The Project Operator **must be a Special Purpose Vehicle (SPV)** and must own the project.
  - Includes all assets and legal rights and permissions reasonably required to undertake the project.
- The **SPV must be the registered electricity market participant** and receive all economic value associated with the Project.
- The **SPV must be the counterparty to all revenue contracts** associated with the Project.
- The SPV must not carry on any other business other than the Project.

## Design features:

- Establish clear and transparent structure for managing finances and segregates risks and liabilities of a CISA project.
- Allows for participation in contracts market through Eligible Wholesale Contracts by quarantining the CISA Project's contract revenue from an entity's portfolio.
- Ensure separation of the CISA Project from broader portfolio optimisation.

# Ensuring the CIS complements the WEM

- Changes to WEM Rules that happen over time will apply to CIS projects.
- All CIS underwriting contracts in the WEM will require:
  - Participation in the RCM process.
  - Be eligible to receive Capacity Credits to receive CIS payments.

## CIS leverages existing RCM processes

Security deposits

Capacity refund payments

## Distinctions between the CIS and RCM

Nature of revenue support

Time horizon

Degree of project certainty

# Bilateral nature of contracts in the WEM

- The most significant differences from the design of the NEM are the RCM and the substantial role of bilateral contracting between market participants.
- Majority of energy and Capacity Credits in the WEM are bilaterally traded.
- The WEM offers market participants the ability to declare bilateral trades to AEMO so that these can be netted out of the central market settlement process.
- Participants declare the identity of the counterparties and the quantity of the relevant time commodity being traded (i.e. number of MWh or Capacity Credits), from which AEMO deducts the traded quantity from both participants' settlement statements.

## **Key feature of CISAs in the WEM include:**

Revenue earned under bilateral contracts will be included in underwriting calculations. A CISA is expected to require project owners to share information about revenue earned under such contracts.

# Tender governance and decision making

## Tender governance framework

Australian Government	Tender Delivery Partner
Sets the policy objectives, the objective of the tender, commercial in-confidence financial budget, the tender size and the terms of the CISA products.	Administers this competitive tender process (including communicating with Proponents)
The Minister for Climate Change and Energy (the Minister), on behalf of the Australian Government, will select the Proponents and projects to receive revenue support under the CIS, based on the recommendation of the Tender delivery partner.	Make recommendations consistent with the Tender Guidelines to the Australian Government.

## Tender process stages

<b>Stage A – Project Bid assessment</b>	<b>Project Bids</b> are assessed against the Proponent and Project eligibility criteria. Proponents and Projects for the Tender must satisfy the eligibility criteria before being competitively assessed against the merit criteria. The purpose of the Project Bid assessment is to select a shortlist of Project Bids to progress to Stage B – Financial Value Bid.
<b>Stage B – Financial Value Bid</b>	<b>Financial Value Bids</b> will be assessed against the Financial Value Bid merit criteria to determine a Financial Value Shortlist to progress to Stage C – Recommendations.
<b>Stage C – Due diligence &amp; Recommendations</b>	<b>Due diligence</b> may be undertaken. A <b>recommended</b> list of Bids will be provided to the Australian Government based on the outcomes of the merit assessment, due diligence and CISA contract finalisation.

# Eligibility and merit assessment

## Eligibility assessment

### Stage A Project bid: eligibility assessment

#### Eligibility criteria

- Registration with AEMO, ownership and 30 MW minimum size
- Intention to participate in WEM central dispatch mechanism and RCM
- Technology contributing to zero emissions and reliability
- Expected development status of connection approvals (having made progress towards obtaining approvals)
- Participation in other schemes
- Technology, timing and delivery risk
- Compliance with the law

## Merit assessment

### Stage A – Project bid assessment

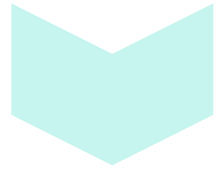
- Project technical and commercial viability
- Proponent capability
- Social license, employment and local benefits
- Contribution to system reliability

### Stage B – Financial bid assessment

- Financial value
  - Generation Projects
  - Clean Dispatchable Projects
- Commercial departures
- Social license commitments

# Next steps

Slido Q&A



Have your say on the CIS WA Design Paper – **EXTENDED TO 9:59am AWST (11:59am AEST), 6 May 2024**



Upcoming Term Sheet and Tender Guidelines for NEM April/May 2024 tender



April/May 2024 tender – NEM-wide bids from projects seeking a Generation CISA, with an indicative target of 6 GW renewable capacity



Registrations open for the WEM June 2024 tender

# Consultation process

Purpose of the WA Design Paper and consultation process.

- DCCEEW seeks targeted feedback from stakeholders on the proposed CIS design for the WEM, with a particular focus on:

1

Interactions between the RCM processes and CIS tenders

2

The design of the CIS products in the WEM

3

The proposed eligibility and merit criteria

## Have your say

The Capacity Investment Scheme WA Design Paper has been released for feedback on the DCCEEW Consultation Hub.

Submissions close **May 6**

# Q&A

Join the discussion  
at [slido.com](https://www.slido.com)

Code: #1291744

If you are unable to access  
the Q&A, please text your  
question to 0425 413 902







# Have your say

Have your say on the Capacity Investment Scheme WA Design Paper – **EXTENDED** to **9:59am AWST (11:59am AEST), 6 May 2024**

Submit your feedback through the department's **Consultation Hub** at: [Capacity Investment Scheme - Western Australia Design Paper - Climate \(dceew.gov.au\)](https://dceew.gov.au)

The Department of Climate Change, Energy, the Environment and Water looks forward to hearing from you and receiving your feedback on the scheme.

Feedback from the February-March 2024 Expanded CIS Design Paper consultation process is now being analysed and will be made publicly available in time for the April/May tender.

# Contact us

[CapacityInvestmentScheme@dcceew.gov.au](mailto:CapacityInvestmentScheme@dcceew.gov.au)

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