

NSW Pumped Hydro Recoverable Grants

Program Guidelines

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Please refer to Section 5 of these guidelines for further information.

Acknowledgement of Country

The NSW Government acknowledges the Traditional Owners and Custodians of the land on which we live and work and pays respect to Elders past, present and future.

The NSW Government's vision is that the aspirations of Aboriginal people of NSW are advanced through the work we deliver. We are committed to supporting Aboriginal organisations, businesses and communities to help create better outcomes for Aboriginal and Torres Strait Islander people in NSW.

The Pumped Hydro Recoverable Grants Program looks to support these outcomes by requiring Applicants to demonstrate how these projects will increase employment and income opportunities for Aboriginal communities, with a focus on regional development and benefits.

The Program will also promote consultation and negotiation with the traditional Aboriginal owners of land on which pumped hydro storage infrastructure is proposed. We will ensure Applicants incorporate opportunities to strengthen relationships with Aboriginal groups and communities, and respect Aboriginal roles as Traditional Custodians of land and waterways.

This commitment also aligns with the Electricity Infrastructure Roadmap and the objects of its enabling legislation the *Electricity Infrastructure Investment Act 2020*.

The image below is a visual representation of our journey within and alongside Aboriginal people and communities, creating pathways and being connected to Country. Central to the design are the footprints which have a symbolic meaning, connected to being grounded, we must stay connected to land and our feet are always on Country, no matter where you are in NSW. The four symbols that lead to the outer layers of the design connect our journey to each community, emphasising the work we do within the communities of NSW. Circling the footprints are long sticklike symbols representing the staff within DPIE, side by side with these are 'U' shaped symbols which represent all the Aboriginal staff and communities connecting.

The artwork is by artist Nikita Ridgeway.



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Photography
Image courtesy of WaterNSW, Cataract Dam.

1. About the Pumped Hydro Recoverable Grants Program

The Energy Corporation of NSW (EnergyCo) is a statutory body established under the *Energy and Utilities Administration Act 1987* and is part of the Department of Planning, Industry and Environment cluster of government agencies. In accordance with the Electricity Infrastructure Roadmap and *Electricity Infrastructure Investment Act 2020*, EnergyCo will be responsible for coordinating \$20.7 billion of investment in Renewable Energy Zones to 2030. EnergyCo will also deliver the Pumped Hydro Recoverable Grants Program (the Program) to support coordinated delivery of the Electricity Infrastructure Roadmap.

The Program is a \$50 million NSW Government grant program that EnergyCo administers. The Program will support the commercialisation of pumped hydro energy storage projects (referred to throughout these Guidelines as projects or pumped hydro projects) with a minimum capacity of 30 megawatts (MW) and at least 8 hours of storage, as defined in these Program Guidelines (the Guidelines). The Program provides grants to developers to assist with the cost of any eligible activity leading to the development of an eligible pumped hydro project (Pre-investment Activity).

The Program is a key deliverable under the NSW Electricity Infrastructure Roadmap (the Roadmap) which was released in November 2020. More information on the Roadmap is provided in Section 1.2.

1.1 NSW energy system and emerging need to support long duration storage in NSW

With four of NSW's five remaining coal-fired generators scheduled for retirement between 2023 and 2035, we need new sources of electricity to deliver affordable, reliable and clean energy for the people of NSW.

The Australian Energy Market Operator (AEMO) and the CSIRO have found that a combination of renewables and storage will be the cheapest way to deliver this new energy in Australia. With some of the best natural energy resources in the world, NSW is in a unique position to benefit from emerging low-cost technologies like wind, solar, batteries and pumped hydro.

NSW has world leading renewable energy and pumped hydro resources. During the development of the NSW Pumped Hydro Roadmap released in 2018, we worked with the Australian National University to provide mapping analysis which showed that NSW has widespread opportunities for pumped hydro development. The analysis identified 20,000 reservoirs that could be used for possible schemes.

However, new infrastructure like pumped hydro has long development times with the average pumped hydro project requiring around four years to develop and another four years for construction.

The current market encourages investors to wait for high price signals before committing to new projects. This has the potential to create a gap between new generation or storage coming online when it is needed, leaving our State vulnerable to price spikes and electricity shortfalls.

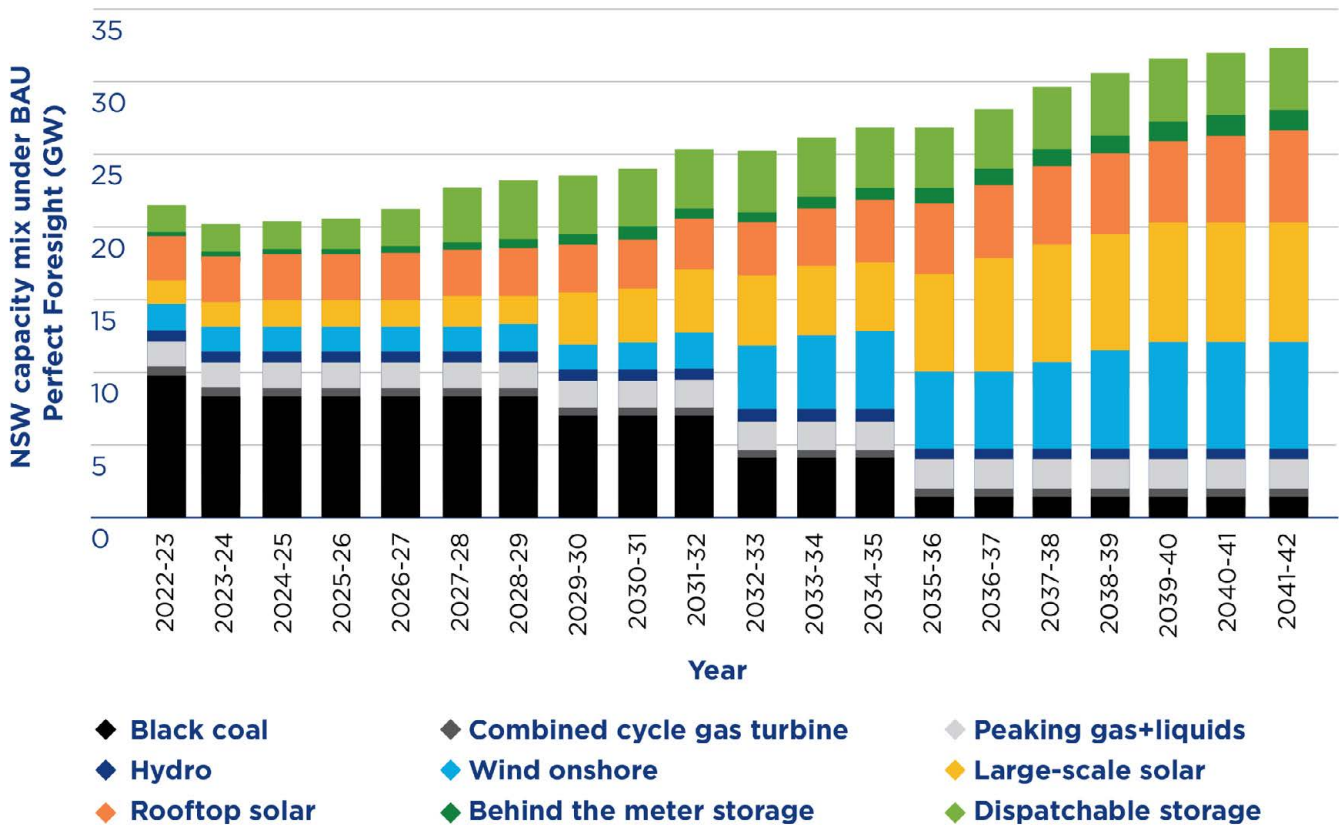
As coal-fired generation retires in NSW and more variable renewable energy enters the market, we need increased complementary investment in large-scale storage and firming capacity. The AEMO's *2020 Integrated System Plan (2020 ISP)* projected that, by the mid-2030s, NSW will likely need approximately 4 gigawatts (GW) of additional storage with 4 to 12 hours of duration to maintain system reliability and security.¹ While the Commonwealth Government is developing Snowy 2.0 (which will amount to 2 GW of additional storage), the remaining 2 GW of capacity remains uncommitted.

1. AEMO, [2020 Integrated System Plan](#) [PDF 4 MB], July 2020.

Figure 1 shows the forecast closure of existing powerstations and expected uptake in variable solar and wind technology. It also highlights the required increase in dispatchable storage technology, including pumped hydro, to balance this new generation mix.

Figure 1

Forecasted NSW capacity mix under the NSW Electricity Infrastructure Roadmap Business As Usual perfect-foresight scenario.



The Roadmap is a coordinated framework to deliver a modern electricity system for NSW and a decisive step to reduce the risks of delayed investment, leading to lower energy bills.

1.2 Electricity Infrastructure Roadmap

The Roadmap will unlock economic opportunities through optimising our water infrastructure through pumped hydro, growing our regional communities through coordinated infrastructure development with the support of the local community and implementing a world class electricity grid.

The Roadmap is expected to:



attract up to **\$32 billion in private investment** for regional energy infrastructure by 2030



save around \$130 a year on the average NSW household electricity bill



support an estimated 9,000 jobs, mostly in regional NSW



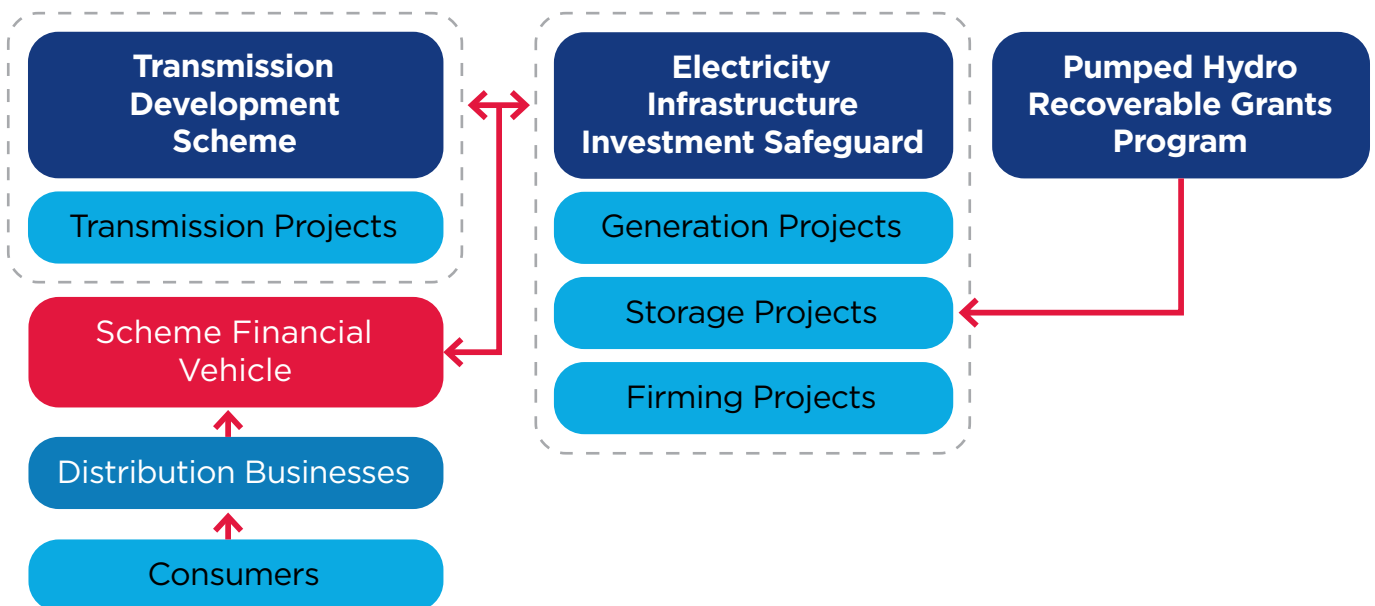
save around \$430 a year on the average small business electricity bill between 2023 and 2040.

The Roadmap actions will support the development of lowest cost energy storage by getting the settings right to encourage private sector investment through:

1. Implementing the Electricity Infrastructure Investment Safeguard (Infrastructure Safeguard) enabled by the *Electricity Infrastructure Investment Act 2020*. The Infrastructure Safeguard is a technology neutral investment signal which will improve affordability and reliability by running competitive processes for Long Term Energy Service Agreements (LTESAs) for long duration storage (including pumped hydro) and generation. LTESAs are long term financial contract arrangements between the Scheme Financial Vehicle and the project proponent. LTESAs are intended to address the reliability and affordability risks on behalf of consumers by reducing overall system costs and prices for consumers.
2. Developing and delivering five REZs by establishing a REZ Transmission Development Scheme to facilitate development and making targeted reforms to the regulatory approval and cost recovery frameworks for REZ transmission. This includes the Regulatory Investment Test for Transmission, which enables the timely delivery of the REZ shared network. EnergyCo will lead the delivery of NSW REZs which will include developing and administering a REZ Access Scheme to provide greater investment certainty for energy projects in the REZ. The Consumer Trustee will run a competitive process for generators to bid for LTESAs on behalf of consumers as part of the Infrastructure Safeguard. To find the most up-to-date information on the REZs, including consultation timelines please visit the REZ webpage at energy.nsw.gov.au/renewables/renewable-energy-zones.
3. Delivering the Pumped Hydro Recoverable Grants Program to establish a pipeline of up to 3 GW of 'shovel ready' pumped hydro projects that can make competitive bids for LTESAs.

Figure 2 outlines these key actions and their interactions.

Figure 2
Overview of Roadmap actions and key relationships.



Pumped hydro is recognised as the most established form of long duration storage. It provides large amounts of reliable electricity on demand by storing surplus renewable energy and releasing it into the grid when demand exceeds supply.

Projects that participate in the Infrastructure Safeguard competitive processes for long duration storage LTESAs could help mitigate the potential energy reliability and security shortfall projected in AEMO's 2020 ISP. However, these projects have bespoke design requirements, face long lead times, can take up to four years to develop and are capital intensive, which creates a high barrier to their development.

To improve competition for LTESAs for long duration storage projects, we have committed to deliver the Program to establish a pipeline of up to 3 GW pumped hydro projects that can make competitive bids for LTESAs that have been developed to a stage where all approvals have been obtained, the construction contract value and financial/commercial model have been finalised and are ready to commence construction.

Prospective pumped hydro projects face high barriers to entry and, accordingly, not all projects that receive a recoverable grant are expected to reach Financial Close or obtain a LTESA. Despite this, allocating funding to support up to 3 GW of projects is necessary to ensure sufficient capacity is supported to produce competitive LTESA rounds.

Pumped hydro projects located in a REZ will have advantages, including minimised transmission connection costs and greater certainty of access to the network. However, we know that to develop the best projects the Program must be location-neutral (subject to network constraints).

The NSW Pumped Hydro Roadmap also looks to bring forward and encourage private sector investment in pumped hydro projects. The Roadmap acknowledges that some of the best opportunities for developing pumped hydro projects may exist on state-owned water infrastructure and includes an action to work with WaterNSW to run a competitive process for private sector generation and storage proposals on state-owned dams.



Photography

Image courtesy of WaterNSW, Tumut 3 Power Station.

1.3 NSW Pumped Hydro Recoverable Grants Program

The Program will provide \$50 million in recoverable grants to assist with the cost of early-stage, pre-feasibility development activities for eligible pumped hydro projects and seeks to help mitigate the potential emerging electricity reliability shortfalls in NSW.

The Program allows the initial financial risk to be shared between the NSW Government and developers to support projects that otherwise may not be advanced enough to compete for LTESAs. For example, Program funding may support a pumped hydro project to better understand its costs and revenues, thereby allowing it to bid into an LTESA tender.

The Program will be implemented by extending the existing Emerging Energy Program (EEP) by funding a second pre-investment studies stream, however these funds will be recovered if a Project reaches Financial Close or otherwise upon commencement of construction of the Project.

The Program will be implemented using existing processes and governance arrangements from EEP which now incorporate the lessons learnt and feedback from industry.

The Program will run a single stage application process for recoverable grants. **Applications are expected to open in early quarter three 2021** (see Section 2 for details on the application process, and Table 1 for the key grant parameters.)

The Program may hold further competitive funding rounds. This may include using recovered funds to support more projects in the future, subject to the Program's budget and funding amounts sought.

Table 1

Pumped Hydro Recoverable Grants Program parameters.

Grant Parameters	
Grant budget	\$50 million
Program target capacity	3 GW
Minimum capacity per project	30 MW
Minimum storage duration	8 hours (with preference for >12 hours)
Support type	Recoverable grant for Pre-investment Activities
Recipient contribution	Greater or equal to grant funding
Allocation process	One-stage application and award process Competitive funding round(s)
Projects to be constructed	By 31 December 2029
Region	Within the NSW region of the National Electricity Market (NEM)

A key feature of the Program is that grants provided will be recovered if projects reach Financial Close or otherwise upon commencement of construction of the Project (i.e. when project finance is used, or when a notice to proceed with construction has been issued for the project).

The Guidelines:

1. Detail the Program objectives.
2. Provide the framework for the operation and administration of the Program.

3. Set out the available funding, and the eligibility and merit criteria for awarding funding under the Program.
4. Provide information about the opportunity for joint funding, how funding will be awarded, and where to find more information.

The Guidelines contain important information for Applicants and should be read in conjunction with the Program website and any other Program documentation.

1.4 Program objectives

The Program objectives are as follows:

Support feasibility investigations and analysis for up to 3 GW of pumped hydro projects

The primary objective of the Program is to support early-stage technical and commercial feasibility work to help up to 3 GW of projects to develop a strategic business case that establishes project feasibility. The Program aims to assist the private sector in overcoming the financial barriers associated with pumped hydro development.



Stimulate competition for long duration storage LTESAs by ensuring multiple feasible pumped hydro projects participate

Supporting a pipeline of pumped hydro projects to develop a strategic business case that establishes feasibility should improve the competitiveness of bids for long duration storage LTESAs. This is particularly important as:

1. Pumped hydro could be the lowest cost source of long duration storage in NSW. Despite this potential, other technologies (e.g. chemical batteries) might be more expensive but would prevail in LTESA auctions. This would result in inefficient consumer outcomes.
2. Pumped hydro proposals across NSW are currently at varying stages of development. Supporting these proposals to achieve a similar stage of development will allow projects to compete purely on their merits.
3. Projects that do not have sufficient visibility over their development costs (e.g. due to the geotechnical work required) may build a risk premium into their LTESA bids – this increases the overall costs for consumers and adds costs that could otherwise have been avoided.



De-risk and lower barriers for private investment in early stage pumped hydro storage projects

Pumped hydro projects require extensive field investigations, geotechnical studies, bespoke design, face long lead times and are capital intensive, creating high barriers to their development.

By assisting projects with grant funding, the Program seeks to de-risk and lower barriers for private sector investment, thus driving more projects to develop a strategic business case that establishes feasibility.



Support delivery of the NSW Electricity Infrastructure Roadmap and NSW Net Zero Plan

The Net Zero Plan is the foundation of NSW's action on climate change and goal to reach net zero emissions by 2050. To support reaching this goal, the Roadmap is expected to reduce NSW's carbon emissions by a total of 90 million tonnes of CO₂e (MtCO₂e) by 2030.

Pumped hydro technology plays an integral role in realising the objectives of the Roadmap, by stimulating regional economies through construction and operation, supporting jobs and attracting new industries whilst building a social licence.

To balance out the higher penetration of variable renewable energy into the grid over the next decade, new long duration storage technologies (like pumped hydro) will play a vital role in maintaining system security and reliability while also supporting the transition to a low emissions grid.



Grant funding will be allocated to projects that achieve a value-for-money outcome to support grant recovery in the long term

The NSW Government looks to achieve the recoverability of grants as far as is reasonably possible, given the development stage that the Program supports. Overall, we seek a value-for-money outcome for industry and NSW consumers. We will achieve this through a rigorous assessment and selection process that takes into consideration the Program's budget, the funding amounts sought (relative to total eligible expenditure for each project), associated risk of a viable pathway to commercialisation, and relative timeline.



1.5 Program contact details

Please refer to the Program website for up-to-date information on the Program, including key dates. The Program website is available at energy.nsw.gov.au/pumpedhydro.

Email all Program-related questions or clarifications to pumped.hydro@dpie.nsw.gov.au.

1.6 Grant request and funding information

1.6.1 Overview

Our priority is to use the Program's \$50 million budget to co-fund projects with the private sector by providing recoverable grants to successful Applicants.

Overview of guidelines for recoverable grant funding

- Funding is for commercial and technical Pre-investment Activities to establish a pipeline of up to 3 GW of pumped hydro projects that have developed a strategic business case to establish feasibility.
- Applicants' contributions for eligible activities need to at least match the grant funding requested.
- Funding will be recovered if projects reach Financial Close, or otherwise upon commencement of construction of the Project.
- Projects are required to be constructed by 31 December 2029.

One of the key objectives of the Program is to de-risk and reduce barriers for private investment given the high costs of development works associated with pumped hydro technology. As a result, our focus is to provide grant funding for Pre-investment Activities. Table 2 contains a non-exhaustive list of examples of eligible activities.

Table 2

Examples of Pre-investment Activities that may be funded under the Program.

Examples of eligible Pre-investment Activities

Engineering studies and investigations	<ul style="list-style-type: none">• Topographic survey• Geotechnical/geological investigations• Hydrological investigations and modelling• Environmental flows modelling
Concept design	<ul style="list-style-type: none">• Civil design, and electromechanical design and optimisation• Network connection design
Project modelling	<ul style="list-style-type: none">• Market modelling• Financial modelling• Economic impact modelling

Applicants are entitled to seek and receive project funding from other Commonwealth or state government support initiatives, such as the Australian Renewable Energy Agency's (ARENA) Advancing Renewables Program (ARP).

Applicants considering joint funding opportunities are encouraged to discuss the Project with ARENA to ensure it meets the ARP eligibility and merit criteria. Applicants seeking joint funding from ARENA will be required to comply with ARENA's application and assessment processes and submit a separate application to ARENA. Where Applicants have applied for joint funding, ARENA will undertake an assessment and funding process separate to the Program.

1.6.2 Funding request

The Program team will not provide guidance on the quantum of funding to be requested by Applicants and encourages Applicants to request the funding required for all eligible Pre-investment Activities to establish feasibility, whilst acknowledging the requirement for matched funding (see Appendix A – Eligible expenditure). The quantum of grant funding requested will be considered in light of the Program's total budget of \$50 million and other requirements relating to funding and eligible expenditure.

Worked examples of hypothetical funding requests

Applicant A has already completed pre-feasibility and feasibility studies, but still needs to complete a range of Pre-investment Activities, such as detailed engineering and design work; achieving a range of approvals, including grid and planning; and finalising procurement documentation. The total budget for these final works is \$11 million. Of the \$11 million, only \$10 million is eligible expenditure and Applicant A requests \$5 million in grant funding.

Applicant B has only completed pre-feasibility studies and has a budget of \$22 million to establish feasibility and develop the Project. Of the \$22 million, only \$20 million is eligible expenditure and, considering their actual need for funding, Applicant B requests \$8 million in grant funding.

The quantum of funding requested will not directly impact the merit scoring of an application; however, it will be assessed indirectly (e.g. when considering value for money) and in addition to the Project's contribution towards Program objectives.

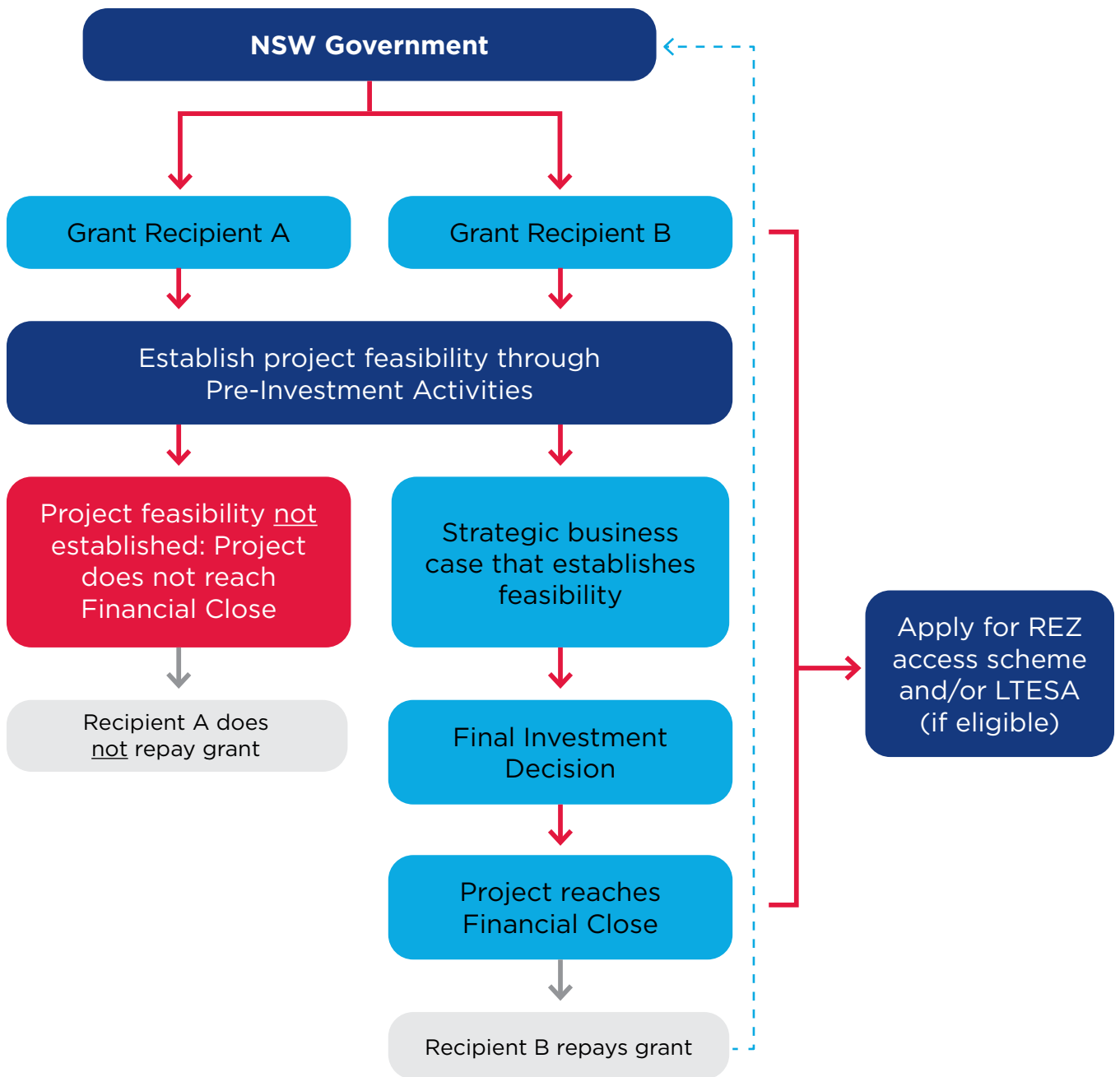
Project contributions, including equity and debt funding, towards Pre-investment Activities are required to at least match grant funding. Applicants must demonstrate with supporting evidence the need for the requested amount of grant funding to proceed. Non-cash contributions (in-kind contributions) should not be included in the budget submitted with applications under the Program. Prior to applying, Applicants are advised to seek professional advice on the taxation treatment of grant funding provided under the Program. The Department does not provide taxation advice.

1.6.3 Grant recoverability mechanism

A key feature of the grants provided under this Program is their recoverability. The Program intends to support Pre-investment Activities in order to assist with the early-stage investigation of a potential Project. Under the Program, grant amounts provided will be recovered from Applicants if the Pre-investment Activity leads to a successful pumped hydro project that reaches Financial Close, or otherwise upon commencement of construction of the Project.

Figure 3

High-level grant recoverability process.²



2. *noting that the REZ Access Scheme and LTESA competitive processes, timing and their eligibility requirements are still subject to consultation and finalisation.

1.6.4 Anticipated funding timeline

The NSW Government has a strong preference for Funding Agreements to be executed in quarter one 2022 and requires that grant funding is (at least) matched by funding recipients.

As pumped hydro projects typically take between 3 and 4 years to develop, we expect to fully disburse grant funding by the end of December 2025. Projects are then anticipated to be constructed by 31 December 2029 (see Section 3.1.2 Eligible project criteria).

Payment of grant funding will be based on verifiable milestones which will be agreed with successful Applicants during the Funding Agreement negotiation process.

1.7 Funding exclusions

The NSW Government will not fund the following under the Program:

1. Activities that directly relate to NSW Government planning assessment processes, such as biodiversity studies; heritage studies; noise, air quality and traffic studies; and water, waste and hazardous material studies.

2. Studies that propose upgrades to existing pumped hydro projects that have already been commissioned that do not materially increase the capacity of the existing plant.
3. Applications for funding received from ineligible Applicants or ineligible Pre-investment Activities or projects.
4. Expenditure on Pre-investment Activities undertaken prior to entering into a Funding Agreement with The Department or after the completion date for the Pre-investment Activities in the Funding Agreement, unless otherwise approved by The Department.
5. Research and development activities, including the education and training of students. For clarification, Pre-investment Activities may include research components to the extent that these are part of a larger activity focused on the deployment and commercialisation of an energy storage project that meets the eligibility requirements under the Program.

See Appendix A – Eligible expenditure for a full list of eligible expenditure items.

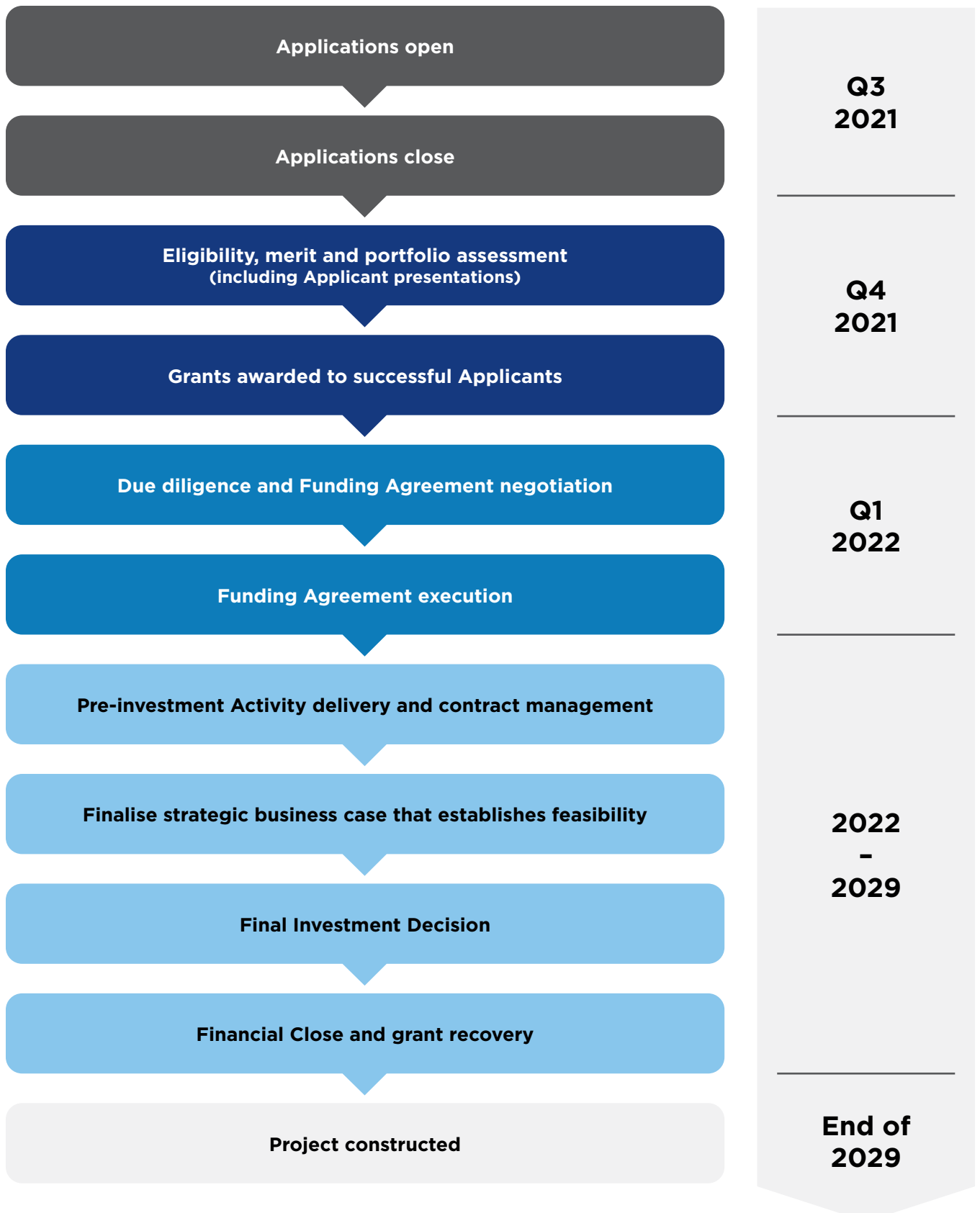
2.

Application and assessment process

The information below provides details on how and when the various stages of the application and assessment process for the Program will take place.

Figure 4 provides a high-level overview.

Figure 4
High-level Program application and assessment process.



2.1 Application and assessment process overview

2.1.1 Overview

Applications must be completed in full and must provide all specified information. If Applicants do not provide the specified information (in the format required) the Program team may seek supplementary information or clarification from Applicants, or it may assess the application as unsuccessful.

Applications must be assessed as satisfying all eligibility criteria set out in Section 3.1 before they can proceed to the merit-assessment stage. Only eligible applications will be assessed against the merit criteria that is set out in Section 3.2.

The Program team may seek advice on the merit assessment of an application from a panel of advisers (which may include AEMO) or external consultants. The Program team may seek clarification from Applicants about any matter arising from the assessment of the application. Applications that fail to meet one or more of the eligibility criteria, or that is assessed to be of low merit against one or more merit criteria, will be considered unsuccessful.

Eligible applications will be individually assessed against the merit criteria and may also be assessed with select groups of eligible applications in a portfolio analysis to ensure they align with the policy objectives detailed in the Roadmap.

The Department reserves all rights to amend these Guidelines and the application process. Applicants should note that this includes altering the application process, which may be amended based on factors such as changes in market conditions. For example, amendments may include, but are not limited to, allowing an application to be submitted following the closing date for application submissions.

2.1.2 Clarifications about the Program

Applicants may seek clarification about any aspect of the Program by submitting a written request for clarification to the Program team. Clarifications should be emailed to pumped.hydro@dpie.nsw.gov.au and can be submitted before applications close.

The Program team will determine whether it is appropriate to respond by written notice to a request for clarification. Where the Program team chooses to respond, it may respond by written notice to all Applicants (together with the request itself on a non-attributable basis) in the form of a 'Notice to Applicants'.

Confidential clarifications

If an Applicant believes that their request for clarification is confidential, the Applicant should notify the Program team of this in the clarification submission and justify the request's confidentiality. The Program team will determine if the request is confidential.

If the Program team determines that the request is not confidential, it will advise the Applicant of this decision. If the Applicant still wants to proceed with the clarification, it should then inform the Program team and the clarification will be treated as a non-confidential request.

If the Program team determines that the request is confidential, the answer to the request (if any) will only be issued to the Applicant seeking the clarification.

2.1.3 Assessment due diligence

At any time during the assessment process the Department may undertake due diligence on an application. Due diligence may include, but is not limited to, the following:

1. Commissioning or completing research, analysis and modelling to support assessments.
2. Inviting Applicants to present their Projects to the Department and/or its consultants and advisers.
3. Contacting identified project-participant organisations, AEMO and/or the relevant network service provider to confirm or verify elements of the application.
4. Contacting any relevant federal, state, territory and international government agency about the application.

Applicants will disclose any further information the Department (and its advisers) reasonably request for the purposes of performing due diligence in respect of the eligibility and merit assessment.

Due diligence by the Department, and the Applicant's cooperation with this, is likely to have a material impact on the assessment of an application.

2.1.4 Final decision

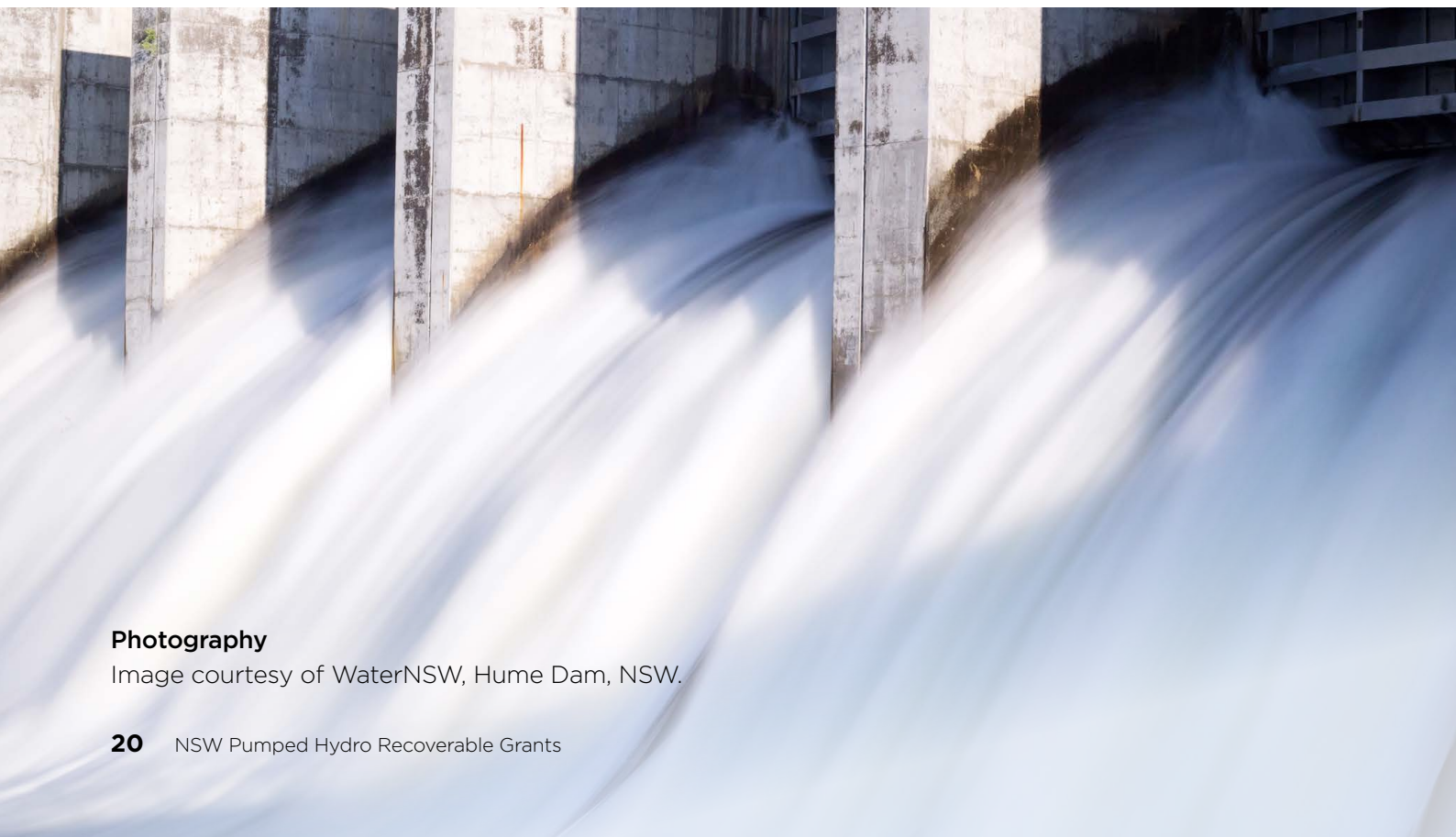
The Department has discretion to reject, refuse or cease to assess an application at any time if the Department is of the view (in its absolute discretion) that an application is unlikely to be successful.

The Department's decision is final in all matters, including the:

- Approval of applications for funding.
- Amount of grant funding awarded.
- Terms and conditions of funding.

Resubmission of applications, or requests for re-review, will only be accepted at the absolute discretion of the Department.

The Department will advise Applicants in writing about the outcome of the assessment of their application.



Photography

Image courtesy of WaterNSW, Hume Dam, NSW.

3.

Eligibility and merit criteria

An application must meet the eligibility criteria to progress to the merit criteria assessment.

The definitions below explain how the terms Project, Pre-investment Activity and Applicant are used for the purposes of the Program. These definitions will help Applicants understand when information is required in relation to the Project or the Pre-investment Activity.

Applicant: is an entity referred to in these Guidelines that applies for grant funding under the Program. To be eligible for grant funding, the Applicant must meet the 'eligible Applicant' requirements in Section 3.1.1 in these Program Guidelines.

Project: means a proposed development of electricity generation infrastructure utilising pumped hydro energy storage technology. To be eligible for grant funding, a Project must meet the 'eligible project' requirements detailed in Section 3.1.2 in these Program Guidelines. For example, the project eligibility requirements include the requirement of a minimum 30 MW nameplate capacity and storage duration of at least 8 hours (with a preference for 12 hours).

Pre-investment Activity: means an activity that is intended to lead to the development of a Project – see examples in Table 2 above. To be eligible for grant funding, the Pre-investment Activity must meet the 'eligible activity' requirements in Section 3.1.3 in these Program Guidelines.

3.1 Eligibility criteria

To be eligible for grant funding, an application must demonstrate that it meets all the eligibility criteria detailed in Section 3.1.1, 3.1.2 and 3.1.3 below.

3.1.1 Eligible Applicant

To be eligible, the Applicant must:

1. hold an Australian Business Number
2. be:
 - a. an Australian entity duly incorporated under the *Corporations Act 2001* (Cth) (*Corporations Act*) and hold and comply with all necessary authorisations that are material to the conduct of the business of the Applicant, or
 - b. a Commonwealth entity under section 10 of the *Public Governance, Performance and Accountability Act 2013* (Cth), or
 - c. an Australian state- or territory-owned body corporate, or a subsidiary of an Australian state- or territory-owned body corporate, or
 - d. an Australian state or territory local government or council.

Note: In some limited circumstances, a legal entity other than that listed above may be accepted as an eligible Applicant. Any other entity that wants to apply to the Program should contact the Program team prior to the lodgement of applications.

3. not be subject to any insolvency event, including the subject of an order or resolution for winding up or dissolution (other than for the purposes of reconstruction or amalgamation), or the appointment of a receiver, liquidator, administrator or similar

4. be the legal and beneficial owner of, or have all necessary rights to use, any intellectual property necessary to carry out the Pre-investment Activity
5. disclose any legal proceedings or investigation, including, litigation, arbitration, mediation or conciliation that are taking place, pending or (to the best of the Applicant's knowledge, after having made proper enquiry) threatened against the Applicant or a related body corporate (as defined in the Corporations Act)
6. disclose all Australian state government, territory government and Commonwealth Government grants applied for in relation to the Pre-investment Activity or associated Project and the history of grant funding (including both successful and unsuccessful applications)
7. materially comply with all:
 - a. obligations under employment contracts, industrial agreements and awards
 - b. codes of conduct and practice relevant to conditions of service and to the relations between the Applicant and the employees employed by the Applicant
 - c. applicable Workplace Health and Safety legislation.
8. hold all insurances required by law
9. not be named on the list of persons and entities on the Australian Department of Foreign Affairs and Trade sanctions list³
10. not be named on the list of persons and entities that hasn't complied with the *Workplace Gender Equality Act 2012*
11. achieve Foreign Investment Review Board (FIRB) approval for the Pre-investment Activity should it be required.

Applicants should note that the funding recipient (if different to the Applicant) must always comply with the eligibility criteria set out above.

The Department will only enter into a Funding Agreement with the proposed funding recipient assessed by the Department at the time of application or an entity that is majority owned and controlled by the proposed funding recipient assessed by the Department at the time of application. If, at the time of the application, the funding recipient is expected to be a different legal entity to the Applicant, the Applicant must clearly specify that this is the case in its application and provide all details of the expected funding recipient.

3. See: dfat.gov.au/international-relations/security/sanctions/pages/sanctions.aspx

3.1.2 Eligible project

Applicants must demonstrate that the Project to which the Pre-investment Activity relates will meet the project eligibility criteria, in terms of technology as well as the characteristics of the Project itself.

Project characteristics

Applicants must demonstrate that the Pre-investment Activity relates to a Project that:

1. utilises pumped hydro energy storage technology
2. connects to the NSW region of the NEM
3. has the majority of its activities carried out in NSW, other than specialised expertise that cannot be sourced locally
4. has a minimum nameplate capacity of 30 MW_{AC} in line with AEMO's requirement for a scheduled generator
5. has a storage duration of at least 8 hours
6. has a Technology Readiness Level of 9 and a Commercial Readiness Index of at least 3.⁴
7. has a project constructed date by 31 December 2029
8. is intending to register with AEMO as a scheduled participant.

The Applicant must also make a funding contribution for the Pre-investment Activity of equal to or greater value than the grant funding received under the Program.

3.1.3 Eligible activities

Applicants must demonstrate that the activities described in their application are eligible. As a guide, eligible activities are activities directly related to the development of an eligible pumped hydro project (Pre-investment Activity).

The Department may also approve other eligible activities.

Appendix A – Eligible expenditure has examples of eligible and ineligible expenditure incurred for the above eligible activities.

3.2 Merit criteria

To be competitive, an application must address all merit criteria.

Only applications that are assessed as satisfying the eligibility criteria will proceed to be assessed against the merit criteria. Each application will be individually assessed against the merit criteria set out in this section.

Applicants must demonstrate the merit of their Pre-Investment Activity by providing evidence so as to satisfy the merit criteria described on page 25 and 26.

4. ARENA's *Advancing Renewables Program Guidelines* are available at: arena.gov.au/assets/2017/05/ARENA_ARP_Guidelines_FA_Single_Pages_LORES.pdf.

Merit criteria one: Commercial and technical viability and attractiveness



The following will be considered when assessing commercial and technical viability and attractiveness:

- i. demonstrated understanding of the Project's commercial case and technical solution (including the Project budget and ability to compete for LTESAs to support the 2030 development objectives set out in the Roadmap) leading to a future viable project business case, given the development stage of the Applicant's Project
- ii. the ultimate Project's operational capability and philosophy and its intended role in driving its business case and achieving the objectives of the Roadmap
- iii. an assessment of the appropriateness of the Pre-Investment Activities to be conducted and the associated costs based on a detailed line item budget
- iv. the value for money outcome to the NSW Government. This will take into account the amount of grant funding requested in relation to the MW capacity and expected duration of storage of the Project, the relative magnitude of the Applicant's funding contribution, as well as the likelihood of grant recovery and timelines associated with this.

Merit criteria two: Demonstrated pathway to establishing project feasibility



The following will be considered when assessing the demonstrated pathway to establishing project feasibility:

- i. a credible development pathway to delivering a strategic business case that establishes project feasibility. This will take into account the current development stage of the Project, and activities required to deliver the strategic business case, including the role of the Pre-Investment Activities in achieving this. The assessment will also consider the timelines associated with these activities
- ii. a credible procurement pathway in relation to all key Project agreements (e.g. Engineering Procurement and Construction). The pathway should include a procurement timeline, procurement options as well as consideration of procurement risks and mitigants
- iii. evidence that the Pre-investment Activity being funded will result in clear and compelling progress towards the Project strategic business case. This Pre-investment Activity should either de-risk the Project or form part of a clear set of steps towards de-risking the Project. The Pre-investment Activity should be shown as a step in the development work to establish feasibility through the delivery of a strategic business case
- iv. a detailed risk register demonstrating a thorough understanding of all risks associated with the Pre-Investment Activity and activities required to develop the Project. The risk register should include all risks including financial, technical, environmental, compliance, regulatory and delivery risks as well risks relating to the success of the Pre-Investment Activity. Appropriate risk mitigants should be provided that are matched to risks
- v. a thorough understanding of all required approvals, including grid, water access, Foreign Investment Review Board, planning approvals and the associated risk in obtaining these approvals
- vi. the delivery methodology of the Pre-Investment Activity. This includes providing a well-articulated plan that includes key personnel, external resourcing and development partners that will be used to facilitate and successfully achieve the proposed outcomes of the Pre-investment Activity, as well as their availability to deliver
- vii. the Applicants track record of experience (including that of proposed delivery partners) including management, commercial, professional and technical expertise in delivering outcomes for Pre-investment Activities leading to fully developed Projects of a similar nature in Australia or overseas, on time and on budget.

Merit criteria three: Economic impact, regional development including First Nations community outcomes and achieving community support

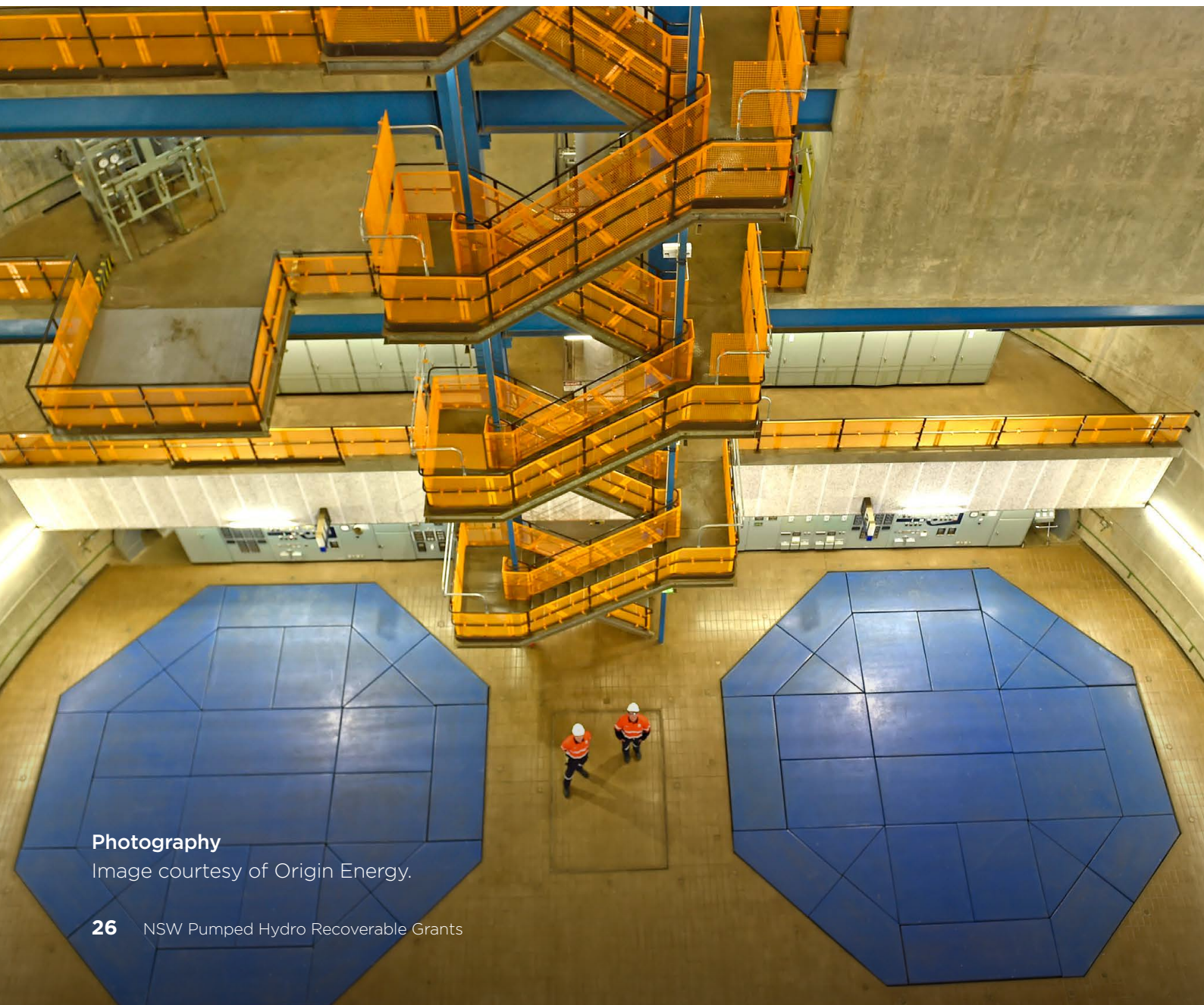


The following will be considered when assessing economic impact and community support:

- i. the forecast economic benefits to the NSW economy with a specific focus on regional development and community benefit sharing schemes, including increasing employment opportunities and income opportunities for the local First Nations community, growth in local industry and a demonstrated commitment to source local contractors
- ii. a credible approach for achieving community support for the Project, and strategies to minimise adverse social impacts and maximise community co-benefits.

3.3 Portfolio assessment

Select high-merit applications will subsequently be assessed in a portfolio assessment. This assessment will analyse the aggregated outcomes of the proposed pumped hydro projects to ensure they align with the policy objectives detailed in the Roadmap.



Photography

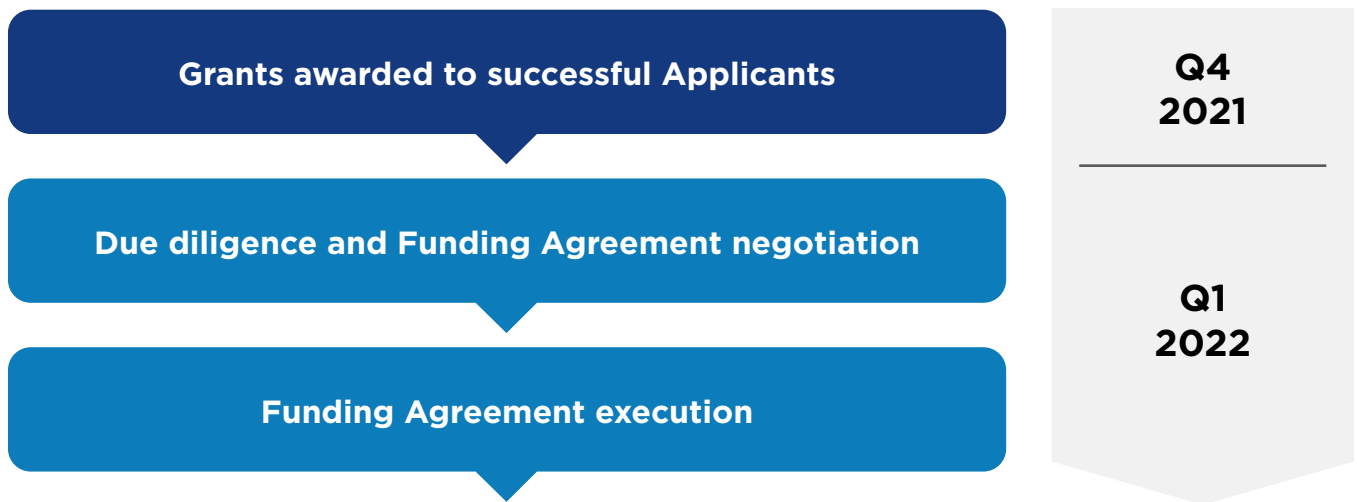
Image courtesy of Origin Energy.

4.

Funding arrangements

Figure 5

Post grant awarding process.



4.1 Due diligence

After selecting shortlisted Applicants, the Department, in conjunction with its advisers, will conduct technical, legal and commercial due diligence on the grant Applicant, funding recipient (where different), project structure and grant application.

The due diligence exercise will include identification and consideration of risks faced by Applicants in successfully completing the Project. These may include the risk of not obtaining required approvals from third parties, such as the FIRB.

As part of their funding request Applicants may make submissions as to how risks to the Project completion are proposed to be managed, whether as part of the Pre-investment Activities or otherwise. The Department may seek to mitigate its exposure to particular risks through provisions of the Funding Agreement, for example, through the funding milestones and/or the recovery mechanism.

The execution of Funding Agreements will be subject to the successful completion of this due diligence process.

4.2 Funding agreement

Shortlisted Applicants must enter into a Funding Agreement with the Department to receive grant funding, subject to the completion of successful technical, legal and commercial due diligence. The Funding Agreement will detail the Applicant/s (and any other relevant parties') obligations in relation to the Pre-investment Activities being conducted.

A template Funding Agreement, representing terms the Department considers appropriate, will be available on the Program website when applications open in early quarter three 2021 for Applicants submitting an application for funding. Applicants will have the opportunity to submit feedback on the Funding Agreement, particularly the recoverability mechanism, for the Department's consideration via the application form during the application stage of the process.

During the negotiation phase of the Program, shortlisted Applicants will be able to submit departures to the template Funding Agreement. It should be noted that the Department does not encourage departures from the template Funding Agreement and these should only be submitted by shortlisted Applicants where they cannot accept the terms of the template Funding Agreement in its current form.

Departures will need to be submitted by shortlisted Applicants in the form of a template departures table provided by the Department and must clearly set out and substantiate the requested departure.

Where a shortlisted Applicant does not submit a departures table, it will be deemed to have accepted the terms of the template Funding Agreement. Where a shortlisted Applicant does submit a departures table, the departures table will be taken as an exhaustive list of the Applicant's comments on the template Funding Agreement.

4.3 Funding offers

All offers to negotiate and any payment of funds by the Department under the Program are subject to the execution of a Funding Agreement with the Department. Applicants who receive an offer to negotiate must keep the offer confidential until the execution of a Funding Agreement by the Applicant and the Department. Any public communication by the Applicant about the Pre-investment Activity between the time of application submission and the execution of the Funding Agreement can only be done with the Department's prior consent. The Department may withdraw its negotiation offer if the Applicant does not comply with this requirement.

4.4 What the grant funding can be used for

Grant funding must only be used for eligible expenditure on Pre-investment Activity: see Appendix A – Eligible expenditure for further details. Eligible expenditure, in turn, must be in the pursuit of eligible activities. Applicants will be required to identify objectively verifiable milestones and prepare budgets that reflect the eligible expenditure required for each milestone (which will be set out in the Funding Agreement).

Eligible expenditure is expenditure that directly relates to the undertaking of the eligible activities as discussed in Appendix A. Funding recipients must adhere to this guidance when preparing the budget that is submitted with an application and as part of the required regular milestone reporting.

4.5 How the Department will monitor the Pre-investment Activity

Funding recipients will be required to provide reporting in line with the requirements of the executed Funding Agreement. The Department will monitor the progress of Pre-Investment Activity by assessing reports and may conduct site visits to confirm details of reports. Occasionally, the Department may need to re-examine claims, seek further information or request an independent audit of claims and payments.

4.6 How the Department will publish information

The NSW Government may publicly announce and/or publish the following information associated with successful projects:

1. The name of the funding recipient.
2. The title of the Project that relates to the Pre-investment Activity.
3. A description of the Pre-investment Activity and its aims.
4. The amount of grant funding awarded.

The Department may publish certain information on the NSW Government tenders website (tenders.nsw.gov.au or other authorised website) about Funding Agreements for successful applications where the total estimated value of the Pre-investment Activity is \$150,000 or more. Information will be published as required under Division 5 of Part 3 of the *Government Information (Public Access) Act 2009*.

The NSW Government will share or publish information about any grant funding or Pre-investment Activity when required under law.

4.7 Work health and safety

All organisations have obligations under the relevant work health and safety laws (as persons conducting or undertaking a business) to ensure the health and safety of workers so far as is reasonably practicable, and that the health and safety of other persons is not put at risk from their undertakings.

This obligation includes Applicants ensuring that safe systems of work are in place for each of the activities conducted in support of the Pre-investment Activity. The Department expects Applicants to be committed to health and safety management in the proposed Pre-investment Activity.



Photography

Image courtesy of Origin Energy, Shoalhaven Pumping Station, Kangaroo Valley.

5.

Further information

5.1 Commencement of and authority for the Guidelines

These Guidelines have been approved by the Department. The Guidelines may be varied from time to time or revoked. The Department has the authority to award funding under the Program and execute and vary the agreements that allow the NSW Government to provide this funding.

5.2 Limitations

5.2.1 No representation, warranty or guarantee

The Department and its employees, agents and officers (Department Parties) do not give any representation, warranty or guarantee, whether express or implied, for the information contained in any materials released by the Department associated with the Program (Program Materials), including their completeness, accuracy, currency or reliability or the process by which they were prepared. None of the Department Parties give opinions regarding legal, accounting, regulatory, taxation or any other matters. Without limiting the foregoing, nothing in the Program Materials is or should be regarded as advice for those matters.

Nothing contained in the Program Materials is or may be relied upon as a promise, guarantee, representation or warranty.

5.2.2 No obligation to update

The Program Materials, the information contained herein and the matters to which they relate may be amended, updated or withdrawn at any time, at the Department's discretion. However, the Department Parties do not accept any responsibility to update, supplement or correct the Program Materials, nor to inform Applicants about any matter that may affect the Program Materials.

5.2.3 No liability

Each Department Party expressly disclaims all liability for any loss or damage incurred by any person arising from, or because of, any person's use of or reliance on any information, statement, opinion or matter (express or implied) contained in, derived from, or omitted from the Program Materials, except for any liability which cannot be excluded as a matter of law.

5.2.4 Other limitations

The Program Materials are not an offer, recommendation or invitation by any Department Party in respect of any contract or commitment, and (subject to a Funding Agreement being fully executed) nothing in the Program Materials will form the basis of any contract or commitment.

An Applicant must rely entirely upon their own investigations, review and analysis about their assessment of whether or not to apply to and participate in the Program.

5.3 Confidentiality and disclosure of information

Unless otherwise stated, any commercial-in-confidence information provided by an Applicant as part of, or in connection with, a registration, application or negotiation process will be treated confidentially by the Department.

The Department may disclose commercial-in-confidence information provided by an Applicant to the following parties:

1. The Minister for Energy and Environment or Minister's Office.
2. The NSW Ombudsman and Audit Office of NSW.
3. The Department of Planning, Industry and Environment staff, consultants and advisers.
4. The Consumer Trustee.
5. AEMO.
6. Any agency or body of the NSW Government, or any other organisation or individual considered by the Department to have a need or an entitlement to know that information (including any federal, state or territory agency or body), where the need or entitlement to know that information arises out of or in connection with the Department's assessment, verification or due diligence of any aspect of your application.
7. Where authorised or required by law to be disclosed to those parties.

If the Department discloses commercial-in-confidence information to any of the above parties, it will inform the parties that the information is strictly confidential. The Department will otherwise only disclose commercial-in-confidence information provided by an Applicant with the Applicant's consent.

For the purpose of this section, commercial-in-confidence information is any information that discloses an Applicant's financing arrangements, cost structure, profit margins or full base case financial model; intellectual property for which an Applicant has an interest; or any matter where the disclosure of which would place an Applicant at a substantial commercial disadvantage.

5.4 Complaints

Complaints about the Program should be emailed to pumped.hydro@dpie.nsw.gov.au.

Complaints will, in the first instance, be reviewed by the Department. If the Department cannot resolve the complaint within 30 business days of receipt, the Department will provide details of a nominated complaints and review officer from the Department's Customer Service and Complaints Unit who will advise the next steps. If the complaint is still not resolved satisfactorily, the NSW Ombudsman can be reached for an external review of the administrative actions of the Department.

5.5 Conflict of interest

A conflict of interest is a situation where a person decides or exercises a power in a way that may be, or may be perceived to be, influenced by either material personal interests (financial or non-financial) or material personal associations. The Department will administer conflict of interest procedures for the Program, including procedures for all staff to declare their interests.

All consultants and advisers engaged by the Department to assist in the delivery of the Program will be required to disclose any conflicts of interest they may have in relation to Applicants and may be excluded from work if required under the Department's probity procedures.

5.6 Program evaluation

The Department will evaluate the Program to determine the extent to which funded activities contributed to achieving the Program objectives. The Department may use information from your application and Project reports for this purpose. The Department may also interview you or ask you for more information to help us understand how the grant impacted you and to evaluate how effective the Program was in achieving its objectives. Without limiting any specific reporting or evaluation requirements (or similar) set out in any Funding Agreement executed with the Department, the Department may contact you for more information to assist with this evaluation for up to two years after a Project reaches Financial Close.

5.7 Grant acknowledgement

Without limiting Section 4.2 (and subject to any specific requirements in an executed Funding Agreement), if you make a public statement about a Project funded under the Program, you are required to acknowledge the support provided by the Department. We suggest using the following:

‘This project received grant funding from the NSW Government and [other funding body – where applicable].’

5.8 The Department’s discretion

Notwithstanding anything else in these Guidelines, by applying, Applicants acknowledge and agree that the Department has the right (in its absolute discretion) to reject, refuse to consider or cease to assess an application, at any time, if the Department is of the view (in its absolute discretion) that an application is unlikely to be successful.

5.9 No contract or liability

Despite any part of these Guidelines, or any other documentation that forms part of this process (in part or together), by applying, Applicants:

1. Acknowledge that neither the Applicant nor the Department intend to create any contract or other relationship under which the Department is obliged to conduct the process in relation to the Program in any manner or at all, and that there is, in fact, no such contract or other relationship in existence.
2. Acknowledge that neither this document nor any submission will create any legal or other obligation upon the Department to conduct the process in any manner or at all.
3. Release the Department from any claim it might otherwise have been able to make or bring against the Department, arising out of or in connection with the Department’s conduct of, or failure to conduct, the process in any manner or at all.

5.10 Case Management service

The NSW Government has launched a Case Management service for businesses investing in large-scale energy infrastructure. The service helps reliable energy projects by providing a central point of contact, and works with stakeholders to address, in a smooth and timely way, any challenges that may arise in the planning or approval processes.

The service is one of the key actions set out in the NSW Electricity Strategy and will support implementation of the Roadmap and the Program. Further information, including the eligibility criteria, how to apply, and terms and conditions is available at energy.nsw.gov.au/case-management.

6.

Appendices

6.1 Appendix A

- Eligible expenditure

These eligible expenditure guidelines specify the kinds of expenditure that are eligible for activities funded under the Program. These guidelines will be recognised in the Funding Agreement. They must be followed:

1. When preparing the budget to be submitted with an application.
2. As part of the regular milestone and annual financial reporting required of grant funding recipients under the Program.

The Department may update these Guidelines from time to time, so please make sure you have the current version from the Program website available.

Once a Funding Agreement is executed for Pre-investment Activity, the Department will make payments when the Pre-investment Activity makes satisfactory progress and meets the agreed milestones. Payments must be spent on eligible expenditure in line with these Guidelines and the Funding Agreement. When a funding recipient is in any doubt as to the eligibility of some of the expenditure on their proposed Pre-investment Activity, the funding recipient should discuss the matter with the Department. The Department will consider the request and will make a decision on the eligibility of the expenditure.

6.1.1 Milestone payments

The proportion of eligible expenditure to be paid at each milestone will be determined on a case-by-case basis as part of Funding Agreement negotiations. The Funding Agreement will require funding recipients to provide financial reports that detail eligible expenditure on the Pre-investment Activity for each milestone period.

6.1.2 Eligible expenditure: general principles

The following general principles apply when considering eligible expenditure:

1. Eligible expenditure is expenditure that directly relates to the undertaking of the eligible Pre-investment Activity.

2. Eligible expenditure is calculated as the GST inclusive amount less any GST credits the funding recipient, or its representative member is entitled to claim.
3. Non-cash contributions (in-kind contributions) are not preferred and should not be included in the budget submitted with applications under the Program. Separately to the budget, Applicants can request approval for inclusion of in-kind expenditure in the budget when they can demonstrate, to the satisfaction of the Department, that the in-kind expenditure could satisfy the Program eligible expenditure guidelines. This will be assessed on a case-by-case basis.
4. Expenditure is generally not eligible expenditure if it is undertaken prior to the signing of the Funding Agreement or after the completion date for the eligible Pre-investment Activity specified in the Funding Agreement.
5. Opportunity costs are not eligible expenditure.
6. Where resources are used on an eligible Pre-investment Activity and on unrelated activities elsewhere in the funding recipient's organisation, the cost of those resources should be apportioned to the eligible Pre-investment Activity, based on the proportion of those resources that were used by the funding recipient in undertaking the eligible Pre-investment Activity.
7. Related-party transactions must be treated on an 'at-cost' basis, without mark-up, unless the funding recipient can demonstrate, to the satisfaction of the Department, that the transaction has been calculated on an arm's-length basis.
8. Generally accepted accounting principles are to be followed and it must be possible to track expenditure relating to eligible activity through a funding recipient's accounting system to meet the financial reporting and audit requirements in the Funding Agreement. Further details are set out below.

6.1.3 Eligible expenditure: included items

Eligible expenditure includes the following expenditure items in relation to conducting eligible Pre-investment Activities:

1. Expenditure on pre-investment related studies (e.g. geological sampling/testing, and hydrological investigations).
2. Expenditure on the preparation of contracts entered into for the purposes of undertaking the Pre-investment Activities, subject to the ineligible expenditure constraints detailed in Section 6.2.4 – further detail on this head of expenditure is set out in Section 6.2.6 below.
3. Labour expenditure, such as salaries and wages, including reasonable on-costs for personnel employed directly for the Pre-investment Activity. Labour on-costs include workers' compensation insurance, employer contributions to superannuation, recreation and sick leave, long service leave accrual and payroll tax – further detail on this head of expenditure is set out in Section 6.2.5 below.
4. Administrative expenses, including expenses incurred on communications, accommodation, computing facilities, travel, recruitment, printing and stationery, where such expenses are directly related to the Pre-investment Activities.
5. Expenditure on early works and plant installed for the purposes of conducting Pre-investment Activities (e.g. wind testing plant). This should be measure at the full delivered cost of early works/plant inclusive of GST, less any GST credits the funding recipient is entitled to claim.
6. Expenditure on legal, audit and accounting costs directly related to the Pre-investment Activities.
7. Expenditure related to the raising of funds for the Pre-investment Activities, or the formation of consortia or joint ventures or other partnering arrangements, where such activities can be directly related to the Pre-investment Activities.
8. Expenditure such as relevant licence fees or intellectual property purchase costs, where the funding recipient needs to access specific technology to undertake the Pre-investment Activities.

6.1.4 Ineligible expenditure

Ineligible expenditure includes, but is not limited to, the following:

1. Expenditure on the development of project elements which are inconsistent with the eligibility criteria (e.g. short-duration storage elements of a hybrid project).
2. Activities that directly relate to NSW Government planning assessment processes, such as biodiversity studies; heritage studies; noise, air quality and traffic studies; and water, waste and hazardous material studies.
3. Expenditure related to the general operations and administration of the funding recipient's entity that the funding recipient could reasonably be expected to undertake in the normal course of business (e.g. research institution overheads, which may be calculated as a percentage of research staff salaries for laboratory-based research).
4. Expenditure on activities that a local, state, or territory government agency, or Commonwealth government agency has the responsibility to undertake.
5. Interest on loans for new and pre-existing capital items used for the Pre-investment Activities.
6. Expenditure on the acquisition of land or land options.
7. Sales or promotional activities that do not directly support the successful completion of the Pre-investment Activities.
8. Membership fees, donations, or any other expenditure that the Department determines does not directly support the successful completion of the Pre-investment Activities.
9. Expenditure that does not directly support the successful completion of the Pre-investment Activities.
10. Expenditure on case management for liaising with the Department or the Minister's office.
11. Expenditure on overseas labour (except where such labour cannot be sourced locally).

6.1.5 Labour

Eligible labour expenditure is the gross amount paid or payable to an employee of the funding-recipient entity. Eligible salary includes any components of the employee's total remuneration package that are itemised on their Pay As You Go annual payment summaries that are submitted to the Australian Taxation Office.

Funding recipients must provide evidence to demonstrate the amount of time that an employee spent on the Pre-investment Activities. Evidence to support eligible expenditure on labour could include timesheets, job cards or diaries. Labour costs cannot be claimed based on an estimation of the employee's worth to the company, where no cash has changed hands.

6.1.6 Contract expenditure

Eligible contract expenditure is the cost of any activities to support the Pre-investment Activities performed for the funding recipient by another organisation. Work to be performed on Pre-investment Activities must be the subject of a written contract, including a letter or purchase order, which specifies the nature of the work to be performed for the funding recipient and the applicable fees, charges and other costs payable. The written contract must be executed prior to the commencement of the work undertaken under the contract.

It is not a requirement for contracts to be in place at the time an Applicant submits an application to the Department. However, for major items of contract expenditure, Applicants will be expected to have some form of documentary evidence, such as written quotes from suppliers, to substantiate the expenditure included in the financial estimates.

Where the contractor and the funding recipient are not at 'arm's-length', the amount assessed for work performed will be an amount considered to be a reasonable charge for that work and contain no unacceptable overheads and no element of 'in-group profit'. Organisations that are not considered at 'arm's-length' include related companies and companies with common directors or shareholders.

6.1.7 Overseas expenditure

The Department funded expenditure incurred by a funding recipient outside of Australia, other than for equipment or materials, must be limited to no more than 10 % of the total of the Department grant funds, except in exceptional circumstances that must be justified by the funding recipient and agreed to in writing by the Department before the expenditure takes place.

Following execution of a Funding Agreement with the Department expenditure on goods and services overseas may be subject to approval by the Department, as specified in the Funding Agreement.

6.1.8 Accounting systems

Funding recipients must have suitable accounting systems in place and provide the Department with assurances that the accounting system that they and any consortium partners use allows for the separate and accurate identification of contributions and eligible expenditure.

A clear audit trail of all grant funding contributions and eligible expenditure must also be available on request and as required to meet the requirements in the Funding Agreement.

6.2 Appendix B - Definitions

In this document, the following terms have the following meanings unless otherwise stated:

AEMO	Australian Energy Market Operator.
ARENA	Australian Renewable Energy Agency.
ARP	ARENA's Advancing Renewables Program.
Applicant	An entity referred to in these Guidelines that applies for grant funding under the Program. To be eligible for grant funding, the Applicant must meet the 'eligible Applicant' requirements in Section 3.1.1 in these Program Guidelines.
Consultant	A third-party adviser who completes the application on behalf of an Applicant.
Department	NSW Department of Planning, Industry and Environment.
Department Parties	The Department and its employees, agents and officers.
Eligible expenditure	Expenditure defined as eligible in Appendix A.
Energy Corporation of NSW (EnergyCo)	The Energy Corporation of New South Wales is a NSW government statutory authority constituted under s 7 of the <i>Energy & Utilities Administration Act 1987</i> .
Financial Close	The date on which: <ol style="list-style-type: none"> 1. All conditions to draw down under all equity and debt financing arrangements required to fund the entire cost of constructing the Project have been satisfied or waived (other than a condition that this agreement has become unconditional); and 2. The Recipient has entered into binding arrangements, which have become unconditional, and under which it is committed to construct (or pay for the construction of) the entirety of Project (for example by issuing an irrevocable notice to proceed to a contractor under an engineering, procurement and construction contract).
FIRB	Foreign Investment Review Board.
Funding Agreement	An agreement between the Department and a recipient under which funding is provided to the recipient.
Guidelines	The guidelines for the Program set out in this document.
Infrastructure Safeguard	Electricity Infrastructure Investment Safeguard enabled by the <i>Electricity Infrastructure Investment Act 2020</i> .
LTESA	The Long Term Energy Service Agreements defined under section 46 of the <i>Electricity Infrastructure Investment Act 2020</i> .

MW	Megawatts.
Nameplate capacity	The maximum rated full-load sustained megawatt output at which the project plant is capable of operating.
NEM	National Electricity Market.
GW	Gigawatts.
Pre-investment Activity	Any activity that is intended to lead to the development of a pumped hydro project. – see examples in Table 2 – Section 1.6.1 above. To be eligible for grant funding, the Pre-investment Activity must meet the requirements of the “eligible activity” requirements in Section 3.1.3 in these Program Guidelines.
Program	The Pumped Hydro Recoverable Grants Program.
Program Materials	Any materials released by the Department associated with the Program.
Project (or pumped hydro project)	A proposed development of electricity generation infrastructure utilising pumped hydro energy storage technology. To be eligible for grant funding, a Project must meet the ‘eligible project’ requirements detailed in Section 3.1.2 in these Program Guidelines. For example, the project eligibility requirements include the requirement of a minimum 30 MW nameplate capacity and storage duration of at least 8 hours with a preference for 12 hours).
REZ	Renewable Energy Zone.
Recipient	An Applicant that has been offered funding under the Program and has entered into a Funding Agreement with the Department in relation to the Program.
Roadmap	The NSW Electricity Infrastructure Roadmap available at energy.nsw.gov.au/electricity-infrastructure-roadmap
Scheduled participant	The definition of scheduled generating unit(s) per the National Electricity Rules.



energy.nsw.gov.au