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General information

What is the Pumped Hydro Recoverable Grants Program?

The Pumped Hydro Recoverable Grants Program (the Program) is a key action under the NSW Government's Electricity Infrastructure Roadmap and is administered by the Energy Corporation of NSW (EnergyCo). The Program aims to establish a pipeline of up to 3 gigawatts (GW) of feasible pumped hydro projects ready to compete for Long Term Energy Service Agreements (LTESAs) to help mitigate potential electricity supply shortfalls in NSW.

The \$50 million Program will involve a single stage application round for recoverable grants to help cover the upfront costs required to develop a strategic business case that establishes project feasibility, lowering investment barriers for the private sector.

The Program may hold further competitive funding rounds in future, potentially using recovered funds, subject to the Program's budget.

Why is the Program only supporting pumped hydro technologies?

Pumped hydro is currently the cheapest and most mature dispatchable technology capable of providing the long duration storage required to replace retiring thermal generators. However, the pre-investment work required to determine the technical and commercial feasibility of a pumped hydro project can present a significant investment barrier to the private sector.

NSW has a wealth of potential sites for pumped hydro, including disused mine sites and on WaterNSW assets. During the development of the NSW Pumped Hydro Roadmap, the NSW Government worked with the Australian National University and identified 20,000 reservoirs that could be used for possible pumped hydro schemes.

There are also a range of existing projects, all in different stages of development, that could benefit from funding to develop a strategic business case to establish project feasibility.

What is a recoverable grant?

A recoverable grant is a financial tool that can be used provide upfront capital to a recipient with the expectation that all funds will be repaid once a pre-determined threshold is met, similar to higher education student loan schemes.

For this Program, grant funding will be repaid to the NSW Government if Financial Close is achieved as the influx of capital should enable the grant recipient to repay the grant amount.

How is 'Financial Close' defined under the Program?

As defined in the Program Guidelines, the Program considers 'Financial Close' to be the date on which:

- 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
- The Recipient has entered into binding arrangements, which have become unconditional, and under which the Recipient 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).

How does the Program work alongside LTESAs?

LTESAs offer price guarantees that provide long term certainty for investors and lower the cost of capital, reducing a project's risk profile for investors and lowering electricity prices for NSW consumers. LTESAs will be offered to different technologies through a competitive process.

Eligible projects may apply for both the Program and for long duration storage LTESAs. As pumped hydro projects across NSW are currently at varying stages of development, supporting projects to establish feasibility will allow projects to compete for LTESAs purely on their merits and will increase competition for future LTESA tenders for long duration storage.

What can Program grant funding be used for?

Program funding must be used to help deliver a 'strategic business case' to establish the feasibility of an eligible project. The 'strategic business case' is not a singular document, but rather a set of Pre-Investment Activities required to determine and demonstrate that a project is feasible.

Pre-Investment Activities may include engineering studies and investigations, concept design work (such as civil design and electromechanical design and optimisation) and project modelling (such as market, financial and economic impact modelling). Further information is provided in the Program Guidelines.

Application and timing

When will grants be awarded to successful recipients?

It is expected that grants will be awarded in Q1 2022 upon the execution of a Funding Agreement, following the completion of the eligibility and merit assessment and Funding Agreement negotiations.

Will the Program fund Pre-Investment Activities that have already been completed?

No – the Program will only fund new or ongoing Pre-Investment Activities that inform the development of a strategic business case to establish the feasibility of a pumped hydro project.

Can I submit multiple project applications?

Yes - grants will be awarded by project rather than by Applicant and can be awarded to multiple projects submitted by the same Applicant.

Is there a minimum or maximum grant amount that I can apply for?

While there is no minimum grant amount, grant applications must be less than the \$50 million Program budget.

Applicants are encouraged to request the funding required for all eligible Pre-Investment Activities to establish project feasibility. However, please note that EnergyCo will consider value for money in its assessment and will award funding to projects that best fulfil the Program objectives. It should be noted that Applicants' contributions for eligible Pre-Investment Activities need to at least match the grant funding requested.

Worked examples of hypothetical funding requests are available in section 1.6.2 of the Program Guidelines.

Why must projects be constructed by 31 December 2029?

Projects must be constructed by 31 December 2029 to support the 2GW target for long duration storage as per the objectives of the *Electricity Infrastructure Investment Act 2020*.

Will there be multiple application rounds for grant funding?

The Program will run a single stage application process for recoverable grants. While there are currently no plans for additional rounds, further competitive funding rounds may be announced in

future (potentially using recovered funds), subject to the Program budget and funding amounts sought.

My application will include personal or commercially sensitive information. How will this information be managed?

The NSW Government has legal obligations under the *Privacy and Personal Information Protection Act 1998 (NSW)* in relation to the collection, storage, access, use and disclosure of personal information. If collecting your personal information, we will provide you with a Privacy Statement (at the time of collection) detailing how this information will be managed in accordance with relevant privacy legislation.

The Program Guidelines contain information describing how the NSW Government will treat commercial-in-confidence information and the circumstances in which it may be disclosed to third parties.

Do I need to apply to ARENA and the Program separately if I wish to apply for joint funding?

Yes - Applicants are required to apply to both the Program and ARENA's Advancing Renewables Program to be considered for joint funding. If successful, Applicants will be required to enter into separate Funding Agreements with each organisation.

More information on the ARENA Advancing Renewables Program can be found at arena.gov.au/funding/programs/advancing-renewables-program.

Can I contact the Program delivery team to see if my project meets the Program eligibility criteria?

No – the Program delivery team will not provide re-assessment feedback to Applicants prior to applications closing. It is up to each Applicant to determine if their project meets the eligibility criteria using the information provided in the Program Guidelines.

I'm having technical issues with SmartyGrants – who do I contact for assistance?

Please contact SmartyGrants for assistance through their helpline +61 3 9320 6888 or via their service desk email address at service@smartygrants.com.au.

The Program delivery team is unable to assist with technical issues related to SmartyGrants.

Program eligibility and assessment

What are the minimum requirements for projects to be eligible for the Program?

Eligible pumped hydro projects are required to have a minimum capacity of 30 megawatts and at least 8 hours of storage.

Grants must be spent on Pre-Investment Activities directly related to the development of an eligible pumped hydro project. Further information is available in the Program Guidelines.

Can a project that has already received funding under the Emerging Energy Program apply for additional Program funding?

Yes – any project that meets the eligibility criteria may apply for Program grant funding.

Will a project in the proposed Renewable Energy Zones be favoured?

No - the eligibility and merit criteria will be applied consistently to all applications and will not require a project to be located in a Renewable Energy Zone.

There is a range of high-potential sites situated outside Renewable Energy Zones (such as disused mine sites) where owners are looking to transform their existing business model and retain employees as the energy market transitions. The Program is looking to support such projects.

Can a project with investments from a foreign company apply for the program?

Yes – however, please note that applicants will be required to demonstrate a thorough understanding and pathway to obtaining Foreign Investment Review Board (FIRB) approval (if required). Due diligence will also be undertaken to identify and consider risks faced by Applicants in successfully completing the Project, including the risk of not obtaining FIRB approval.

Successful Applicants will also be required to immediately refund an awarded grant if they are unable to obtain FIRB approval (if required). Further information about eligible organisations is available in the Program Guidelines.

Further information

What if I still have other questions?

Applicants may seek clarification about any aspect of the Program by submitting a written request for clarification to pumped.hydro@dpie.nsw.gov.au. Clarification requests can be submitted until applications close.

EnergyCo will determine whether it is appropriate to respond to a request for clarification. Where EnergyCo chooses to respond, a blanket clarification will be provided to all Applicants in the form of a 'Notice to Applicants'.

What if I have a confidential question?

You must notify EnergyCo if you believe your question is confidential and justify the request's confidentiality. A determination will be made as to whether the request is confidential.

If EnergyCo determines the request is:

- Not confidential, it will advise you of this decision. You should then inform EnergyCo if you still wish to proceed with the clarification, with the request then treated as a non-confidential request; or
- Confidential, the answer to the request (if any) will only be issued to you.

9 August 2021 Update

Does a Project need to have reached a certain stage of development to be eligible for the Program?

No - we encourage Projects at any stage of development to apply to the Program, so long as they meet the eligibility criteria.

We acknowledge that early-stage Projects may not have yet completed (or be able to complete) all documentation requested in the Application Form. In these cases, we request that applicants complete as much of the Application Form as possible, based on their current knowledge and understanding of the Project's development.

Is solid pumped hydro energy storage eligible for Program funding?

To be eligible for grant funding, an applicant must demonstrate that the Project to which the Pre-investment Activity relates will meet the project eligibility criteria in section 3.1.2 of the Program Guidelines. This specifically references the need for a Project to utilise pumped hydro energy storage technology.

We are unable to provide eligibility advice prior to the formal application assessment stage, however we encourage applicants to review and subsequently determine whether their Project meets the eligibility criteria and to submit an application that complies with the project characteristics listed in section 3.1.2.

Can you provide further clarity on what technologies are considered to have a Technology Readiness Level (TRL) of 9 and a Commercial Readiness Index (CRI) of 3?

A Project that utilises pumped hydro energy storage technology that is able to operate under a full range of expected conditions is considered to have a TRL of 9, while a Project that utilises pumped hydro energy storage technology with commercial-scale demonstrations is considered to have a CRI of 3.

Hybrid projects consisting of pumped hydro energy storage technology and one or more other technology types with a TRL of 9 and CRI of 3 will likely be classified as having a TRL of 9 and CRI of 3 (subject to formal assessment). International examples can be used as evidence to support projects utilising hybrid technologies that have not been proven to have a TRL of 9 and CRI of 3 within Australia.

Section 3.1.2.4 of the Program Guidelines contains a link to [ARENA's Advancing Renewables Program Guidelines](#) to provide further information on TRL and CRI. Applicants are encouraged to review the linked information alongside their Project prior to applying for the Program.

Will the LTESA for long duration storage competitive tender process be run in technology-specific tranches, or will all technology types compete simultaneously?

The competitive tender process for long duration storage LTESAs is still under design. Public consultation is expected to begin soon and will include information on the features and terms of the LTESA arrangements, as well as information about the competitive tender process.

Please join the NSW Electricity Infrastructure Roadmap mailing list (available at energy.nsw.gov.au/electricity-infrastructure-roadmap) to be kept informed on the LTESA consultation process and upcoming opportunities to provide feedback.

How will the Program and the competitive process for long duration storage LTESAs work together?

The Program is designed to help developers prepare for the competitive process for long duration storage LTESAs.

The Consumer Trustee will publish a development pathway and a 10-year plan for tenders prior to the commencement of competitive tender processes. These documents will include the timing of, and indicative capacity for, each competitive tender process for both long duration storage and generation.

Under what circumstances will early spend (prior to the execution of a Funding Agreement) be accepted as eligible expenditure under the Program?

As indicated in section 6.1 (Appendix A) of the Program Guidelines, expenditure items incurred prior to the signing of the Funding Agreement will not be considered as eligible expenditure under the Program.

Can you provide examples of eligible expenditure with respect to environmental assessment work or studies?

As stated in section 6.1.4 of the Program Guidelines, activities that directly relate to NSW Government planning assessment processes are considered ineligible expenditure.

While Environmental Impact Statements (as a whole) are not eligible for Program funding, if an individual study used to inform an Environmental Impact Statement relates directly to an eligible Pre-investment Activity (such as to guide a Project's design or to determine if a Project is

commercially or technically feasible) it may be deemed eligible expenditure, subject to formal assessment.

Expenditure items will be assessed as eligible or ineligible on a case-by-case basis and in line with the principles outlined in section 6.1 (Appendix A) of the Program Guidelines. A list of items likely to be accepted as eligible expenditure is provided in section 6.1.3, with a list of ineligible expenditure items available at section 6.1.4.

Can you provide an unprotected version of the Quantitative Template?

No – the protected version of the Quantitative Template spreadsheet (available on the Program's website) is provided for information only.

Applicants are only required to complete and submit the Quantitative Template available for download in section 6 (Project Data) of the Application Form found via the 'Apply Now' button on the Program's website. It should be noted that the cells that don't require data input remain protected.

Can applicants alter the Pre-investment Activities listed in 'Worksheet B – Pre-investment Activity Budget' of the Quantitative Template?

Yes – the Pre-investment Activities were provided as examples only.

How will commercial-in-confidence information provided in applications be protected?

As outlined in the Program Guidelines, commercial-in-confidence information provided by the Applicant will be treated confidentially by the Department. The NSW Government is obligated to follow the confidentiality requirements outlined in the Program Guidelines, as well as those of the *Privacy and Personal Information Protection Act 1998 (NSW)*.

Corrections

Application Form: Ultimate Holding Companies without an ABN are no longer required to provide an ABN in section '3: Applicant Information'.

Program Guidelines: References to sections 6.2.4, 6.2.5 and 6.2.6 in section 6.1.3 should instead refer to sections 6.1.4, 6.1.5 and 6.1.6 respectively.

Quantitative Template: We are aware that there are formatting errors in cells E34, E35, D40 and E40 of sheet 'A - Technical Specifications'. When entering data into those cells please either

specify the units in the comment column or copy and paste the formatting of cell E31 into cells E34, E35, D40 and E40.

Quantitative Template: row 25 in sheet 'B – Pre-invest. Activity budget' was showing an error and should be left blank. Environmental Impact Statements will not be accepted as eligible expenditure. The template has been updated to correct this.

31 August 2021 Update

Can sole traders apply for Program funding?

There are no limitations on sole traders applying for Program funding. Sole traders are encouraged to clearly specify any intention to establish another entity (and include all relevant details) in the Project Plan or the "additional commentary" section at the end of the Application Form.

A legal entity other than that listed in section 3.1.1.2 of the Guidelines 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.

Which administrative expenses are considered eligible expenditure under the Program?

Administrative expenses directly related to Pre-investment Activities may be considered eligible expenditure. Administrative expenses may include costs incurred on communications, accommodation, computing facilities, travel and recruitment.

Please note that expenditure associated with general operations and administration incurred 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) is not eligible for Program funding.

Do capital costs associated with the non-pumped hydro components of a Project need to be included in 'Worksheet C' of the Quantitative Template?

No - only capital costs associated with pumped hydro components of a Project should be included in 'Worksheet C' of the Quantitative Template. Capital costs or details pertaining to other technologies should be attached separately.

Can multiple entities be nominated as the 'Applicant' in the Application Form?

The Application Form only allows for one entity to be the 'Applicant'. If your Project is managed by multiple entities, please nominate one entity to serve as the Applicant.

You may provide the details of the other entities and note the dual-Applicant status (including plans for the establishment of a Special Purpose Vehicle) in the Project Plan or the "additional commentary" section at the end of the Application Form.

Can I seek funding for multiple projects within a single Program application?

No - please submit a separate application for each Project, rather than including multiple funding requests within a single application.