

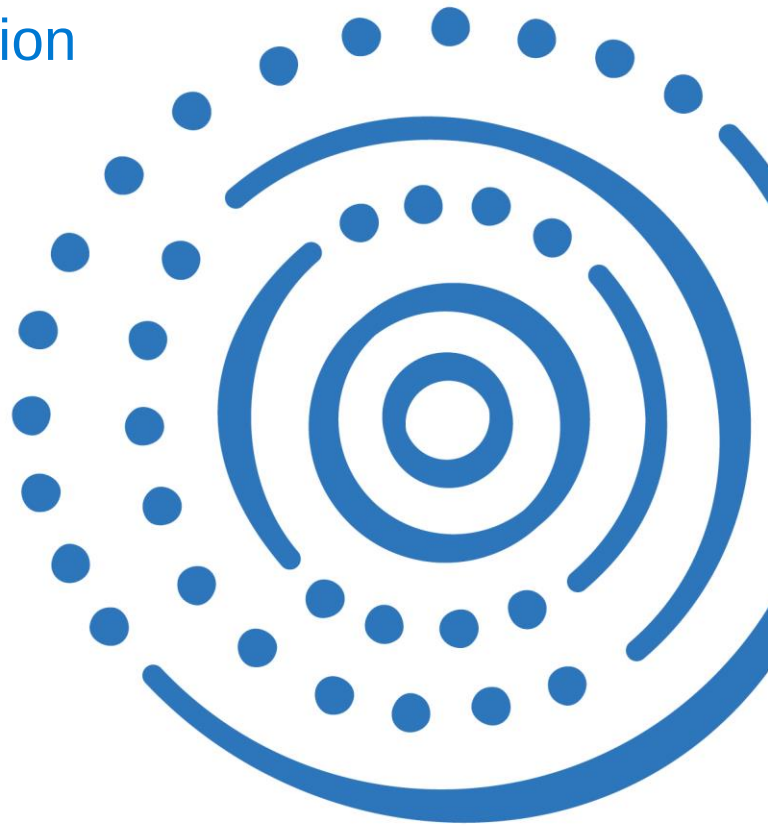


**Government
of South Australia**

Department for
Energy and Mining

Firm Energy Reliability Mechanism

Draft Minister's Guidelines incorporating
General Scheme and Indicative Round 1
Guidelines for Consultation





Revision History

Version	Release Date	Comment
1.0	16/06/2025	Consultation draft
1.1	30/06/2025	Minor revision to Table 11

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Acknowledgement of Country

As guests here on Kurna land, we acknowledge everything this Department does impacts on Aboriginal country, the sea, the sky, its people and their spiritual and cultural connection which have existed since the first sunrise. Our responsibility is to share our collective knowledge, recognise a difficult history, respect the relationships made over time, and create a stronger future. We are ready to walk, learn and work together.

Glossary

Abbreviation or Term	Description
Additional capacity	The amount (in MW) of additional long duration dispatchable electricity capacity (if any) that is required to meet the FET for a specified period.
AEMO	Australian Energy Market Operator
Auditor	Scheme auditor that will assess compliance of people/ bodies with scheme regulations and guidelines.
Capacity Commitment	As defined in the Regulations, means – (a) an indication by a recognised electricity entity in an NOI to provide long duration dispatchable electricity capacity at a specified level over a commitment period; or (b) a commitment by a long duration capacity provider to provide long duration dispatchable electricity capacity at a specified level under a FERM contract.
Commitment period	The period during which: (a) a recognised electricity entity must provide long duration dispatchable electricity capacity in accordance with a Capacity Commitment made through the NOI process; or (b) a long duration capacity provider must provide long duration dispatchable electricity capacity in accordance with a Capacity Commitment made under a FERM contract (i.e. for the term of the FERM contract).
DEM and Department	Department for Energy and Mining
EDP	Electricity Development Plan
Existing designated electricity entity	As defined in the Regulations, a person who is registered by AEMO as a Generator or Integrated Resource Provider.
FERA	Firm Energy Requirement Assessment: The Government of South Australia's proposed process to assess South Australia's requirements for ongoing long duration dispatchable electricity capacity.



Abbreviation or Term	Description
FERM	Firm Energy Reliability Mechanism: the proposed Scheme established by the Regulations in relation to the provision of long duration dispatchable electricity capacity.
FERM contract	As defined in the Regulations, a contract under Part 5 for the provision of long duration dispatchable electricity capacity (including a deemed FERM contract).
FET	Firm Energy Target: A five-year target (MW) of long duration dispatchable electricity capacity for South Australia for a specified period declared by the Minister.
LOR	Lack of Reserve (events): LOR events are declared by AEMO under clause 4.8.4(b) of the NEL by way of a market notice and refer to a situation where the available reserve capacity (i.e. the surplus capacity beyond the forecasted peak demand) in a jurisdiction falls below a specified threshold.
Long duration capacity provider	As defined in the Regulations, a person – (a) who is – (i) an existing designated electricity entity capable of providing long duration dispatchable electricity capacity; or (ii) a new designated electricity entity expected to be capable of providing long duration dispatchable electricity capacity; and (b) who is recognised by the Minister from time to time as being an entity suitable to be a participant in the scheme after taking into account any criteria specified in the Minister's guidelines.
Long duration dispatchable capacity	Dispatchable electricity capacity with a minimum of eight hours of continuous rated output.
Market Customer	Is a term of the NEL and refers to a Market Participant that purchases electricity supplied through a transmission or distribution system and consumes it at a market connection point.
Market Participant	Is a term of the NEL and refers to an entity that is registered to participate in the NEM. This includes generators, retailers, and other entities involved in the production, distribution, and sale of electricity.



Abbreviation or Term	Description
Minister	Refers to the South Australian Minister for Energy and Mining (and includes any new entity succeeding or replacing the Minister following a machinery of government change).
MLO	Market Liquidity Obligation
MW	Megawatt
NEL	National Electricity Law, contained in Schedule 1 to the <i>National Electricity (South Australia) Act 1996</i> .
NEM	National Electricity Market
NER	National Electricity Rules, the rules made under the NEL.
New designated electricity entity	As defined in the Regulations, a person who is required or intends to be registered by AEMO as a Generator or Integrated Resource Provider (other than an existing designated electricity entity).
New Long Duration Capacity Provider	A new designated electricity entity that falls within the definition of 'long duration capacity provider' under the Regulations.
NOI	As defined in the Regulations, means a notice of intention under regulation 20.
PASA	Project Assessment of System Adequacy. The assessment can be short term (STPASA) or medium term (MTPASA).
Recognised electricity entity	As defined in the Regulations, an existing designated electricity entity that falls within the definition of a long duration capacity provider. Also referred to as an 'Existing Long Duration Capacity Provider'.
Regulations	Unless otherwise stated 'the Regulations' refers to the <i>National Electricity (South Australia) (Firm Energy Reliability and Orderly Exit Management) Regulations 2025</i> (including as amended from time-to-time).
Reliability	A reliable power system ensures demand is met through sufficient generation capacity, taking into account both seasonal variability and longer-term demand trends.



Abbreviation or Term	Description
Resilience	A resilient power system can sustain supply and recover from unplanned events including high-impact, low probability 'shocks'.
FV	Financial Vehicle
SPV	Special Purpose Vehicle
TNSPs	Transmission Network Service Providers: South Australia has two TNSPs, ElectraNet and Murraylink.
VCR	Value of Customer Reliability: the value different customers place on reliable electricity supply.



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Background and Purpose

The Firm Energy Reliability Mechanism

The Firm Energy Reliability Mechanism (FERM or scheme) is a scheme developed by the Department for Energy and Mining (the Department) that seeks to promote secure, reliable and affordable electricity supply for South Australia, through ensuring there is sufficient long duration dispatchable capacity in the electricity system.

Legislative and Regulatory Framework

The *National Electricity (South Australia) (Firm Energy Reliability and Orderly Exit Management) Regulations 2025* (Regulations) enable the Minister to make binding guidelines with respect to a range of administrative and process matters related to the scheme. The Regulations also allow the Minister to make guidelines in relation to other matters to enable the expedient and efficient operation of the scheme.

Table 1 summarises where the specific requirements of the Regulations have been addressed throughout these Guidelines.

Table 1 –Sections against specified regulatory requirements

Relevant provision in the Regulations	Guideline
Reg 8(1)(a) the notice of intention process	Section 2
Reg 8(1)(b) the conduct of a scheme tender, including procedural requirements and eligibility and assessment criteria to be used for the purposes of a scheme tender	Section 3
Reg 8(1)(c) contractual terms, commercial arrangements and other requirements that are to apply to FERM contracts	Section 4
Reg 8(1)(d) requirements relating to a reliability obligation or a market liquidity obligation	Section 5

Publication

The Minister's Guidelines will be published on the Department website: energymining.sa.gov.au.

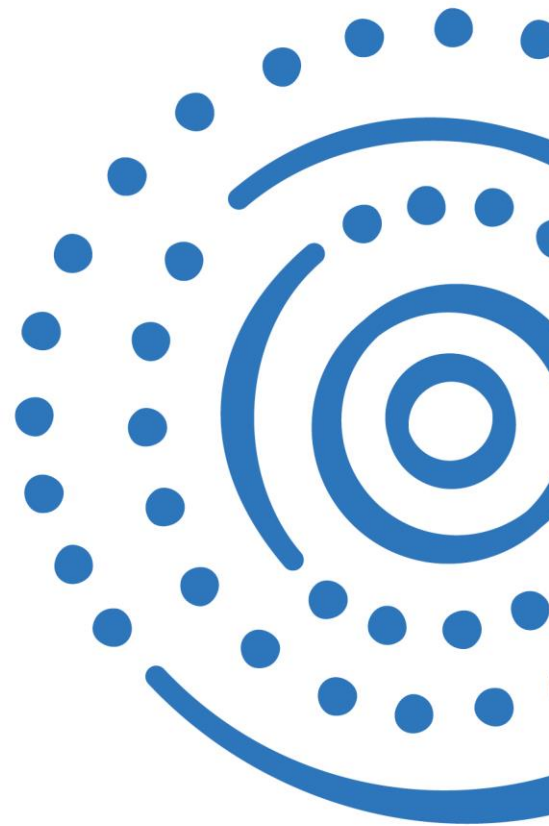


**Government
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Department for
Energy and Mining

Section 1: Firm Energy Target

Part 2 of the Regulations



1. Firm Energy Target

1.1 Context and Purpose

The Firm Energy Target (FET) represents the total amount of long duration dispatchable capacity required to manage risks of energy reliability in South Australia under both normal and shock scenarios. Under section 7 of the Regulations, the Minister may make a declaration prescribing the quantity of long duration dispatchable capacity that the state requires over a specified period. The Minister may, at any time, vary the FET or establish a new FET.

1.2 Declaring the Firm Energy Target

The FET is declared by the Minister annually or as required in advance for a specified forward period (year 'N'), considering matters that the Minister deems to be relevant. The FET is prescribed in MW of capacity for 8 hours and above, and represents a target for the minimum level of long duration dispatchable capacity, considering temperature de-rating and other factors as appropriate.

$$FET_N = \text{Required long duration firm capacity}_N \text{ (MW)}$$

Where a new annual declaration of the FET is made for a specified forward period which includes a specified period to which a previous declaration applies, the most recent declaration will take priority.

1.3 Publication

The FET will be published on the Department's website: energymining.sa.gov.au.

1.4 Calculating required additional capacity

The Scheme Administrator will calculate the required additional capacity (if any) to meet the FET for a specified period, which the Scheme Administrator may seek to contract through a tender or where required through any direct negotiated contracts with existing generators (see Section 4). The 'Additional Capacity' for year 'N' is to be calculated by the Scheme Administrator as follows:



Required Additional Capacity

$$\text{Additional Capacity}_N = FET_N - \sum \text{capacity commitments}_N,$$

where FET_N = the Firm Energy Target for year N

$$\sum \text{capacity commitments}_N$$

= the sum of individual capacity commitments made under an NOI process and
capacity commitments made through relevant contracts for year N .



Section 2: Notice of Intention (General Guidelines)

Part 5 Division 1 of the Regulations

2 Notice of Intention Process

2.1 Context and Purpose

This section applies to recognised electricity entities as defined in the Regulations.

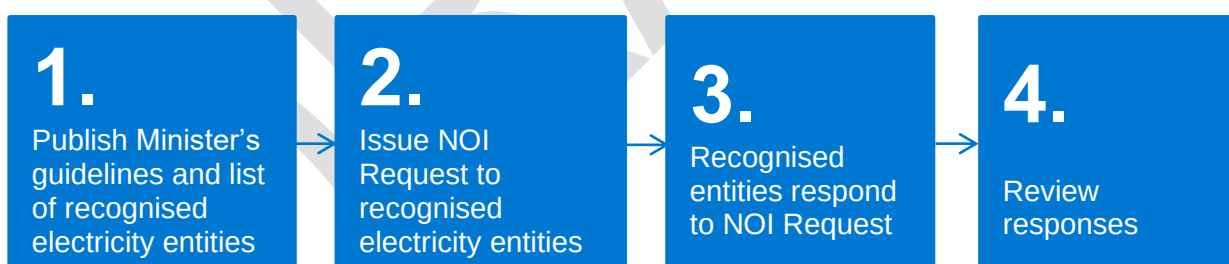
The Notice of Intention (NOI) process is a foundational component of the FERM and is the mechanism by which recognised electricity entities make their Capacity Commitment. The Capacity Commitment informs the Scheme Administrator's assessment of Additional Capacity required to meet the FET as per section 1.4.

A Capacity Commitment made under the NOI is comprised of two components: i) a commitment to remain, and actively participate, in the South Australian region of the NEM during the Commitment Period nominated in the NOI request; and ii) to make available a nominated amount of long duration dispatchable electricity capacity to the NEM during a Commitment Period.

2.2 NOI Process

The NOI process is summarised in **Figure 1**, with further detail provided below. It is intended that the process is conducted simultaneously with a FERM tender round. Indicative timeframes for the NOI Round 1 are outlined in section 6.

Figure 1 - NOI process



2.3 Applicability

The NOI process applies to recognised electricity entities identified by the Minister. Table 2 lists the proposed eligibility criteria that will be used to classify an existing entity as a recognised electricity entity. It is proposed that the list of recognised electricity entities will be published on the Department's website with these Guidelines.

Table 2 – Existing Asset Identification (EAI) criteria

Category	Criteria
EAI1: Capacity	Long duration capacity providers with at least 30MW capacity and capability to continually dispatch for at least 8 hours.
EAI2: Connection	Long duration capacity providers connected to the SA region of the NEM.
EAI3: Registration	Must be registered and operating as a generator/integrated resource provider in the NEM at the NOI release date.

2.3.1 Process

The Minister will direct the Scheme Administrator to issue a NOI request to recognised electricity entities within 10 business days of publishing the Guidelines and the list of recognised electricity entities.

2.3.2 NOI Submission

A recognised electricity entity that receives an NOI request must submit a NOI in the form specified by the Guidelines. It is anticipated that this will be via an online portal or similar interface. The proposed format of the NOI request is outlined in Table 3. The response will reflect the request format.

Table 3 – Proposed Notice of intention request

NOI Question	Possible response(s)
1. Availability <i>Do you commit to be operating in the market during the nominated commitment period?</i>	Yes – the recognised electricity entity commits to be an active participant in the SA region of the NEM during the nominated commitment period. No – The recognised electricity entity commits to exiting the SA region of the NEM at the commencement of, or during, the commitment period. Once a long duration capacity provider bids this, they will be removed from the recognised electricity entity list prior to the release of a subsequent NOI process.
2. Capacity Commitment <i>Please confirm your nominated capacity at 8 hours continuous output</i>	[XX] MW - The recognised electricity entity's self-nominated level of the long duration dispatchable electricity capacity it will provide to the market during the commitment period, subject to any relevant conditions / factors outlined below.
3 Relevant Information (optional) <i>Please provide any information that may be relevant with respect to the capacity commitment made above.</i>	The recognised electricity entity may provide information regarding known date of withdrawal within a Commitment Period, outages, fuel source, age-related de-ratings, weather and any other relevant conditions / factors in respect to the capacity commitment above.

The NOI must be submitted within the timeframe specified in the Request. It is proposed that the timeframe for response is 10 business days.

Non-compliance with these requirements may result in the imposition of Tier 1 civil penalties under the Regulations.

2.3.3 NOI Review

The Scheme Administrator will review responses to the NOI process and:

- Confirm that all recognised electricity entities have responded to the NOI Request.
- Calculate the total of the capacity commitments made under the NOI and calculate the Additional Capacity (if any) required to meet the FET.
- Inform the Minister of any recognised electricity entities that respond with an intention to exit during the Commitment Period.

Where required, the Scheme Administrator may request further information to clarify an entity's response to the NOI Request.

The Scheme Administrator will notify the Scheme Regulator if a recognised electricity entity has failed to submit a NOI in accordance with the requirements of the Regulations and these Guidelines.

2.3.4 Capacity Commitment

The Scheme Administrator will provide recognised electricity entities with a letter confirming their Capacity Commitment for the Commitment Period, and a summary of obligations under the Regulations and these Guidelines.

A recognised electricity entity who has indicated an intention to provide long duration dispatchable electricity capacity in the NEM over the relevant commitment period must provide that capacity during that commitment period at the level indicated in the NOI.

These Guidelines may specify circumstances where this obligation does not apply (i.e. where a failure to provide the required capacity in accordance with the capacity commitment may be excused – for instance, force majeure events and operational failures).

Non-compliance with this obligation may result in the imposition of Tier 1 civil penalties under the Regulations.

2.3.5 Publish NOIs

The Scheme Administrator may elect to publish the results of the NOI process on the Scheme Administrator's website and/or to share responses with other scheme entities, having regard to commercial sensitivities, and as required to enforce compliance with scheme obligations including reporting, performance and penalty regimes.

2.3.6 Compliance Monitoring

The Scheme Regulator will monitor compliance with Capacity Commitments made under the NOI process.



Section 3: FERM Tender (General Guidelines)

Part 5 Division 3 of the Regulations

DRAFT

3 FERM Tenders

3.1 Context and Purpose

This section applies to long duration capacity providers as defined in the Regulations and who meet the eligibility criteria outlined below.

A competitive tender process (tender round) is the mechanism by which long duration capacity providers that meet the eligibility criteria of these Guidelines can seek financial support for providing a Capacity Commitment through a FERM contract. A tender round will seek to contract sufficient Additional Capacity to meet the FET for the specified period as per section 1.4.

Additional information regarding the FERM Round 1 tender process is contained in Part 6 below.

3.2 Tender Process

The tender process is summarised in **Figure 2**, with further detail below. Tender round timeframes will be published with these Guidelines, however, it is intended that the process is conducted simultaneously with an NOI process. Indicative timeframes for Tender Round 1 are outlined in section 6.2.

Figure 2 - Annual tender process



3.2.1 Applicability

This section outlines standard tender eligibility criteria that apply to new designated electricity entities that fall within the definition of 'long duration capacity providers' under the Regulations (referred to as 'New Long Duration Capacity Providers' in these Guidelines).

Alternate or additional eligibility criteria may be adopted for specific tender rounds as required to respond to changing needs. Any additional or alternative criteria will be declared in the relevant Minister's guidelines published for that tender round (Section 7).

Table 4 –Tender Eligibility Criteria (EC) – New Long Duration Capacity Providers

Category	Criteria
EC1: Technology type	Long duration capacity provider's fuel source is not coal or nuclear
EC2: Capacity	Long duration capacity providers with at least 30MW capacity and capability to continually dispatch for at least 8 hours
EC3: Registration	The long duration capacity provider must not be registered as a generator/integrated resource provider in the NEM at the associated NOI release date, however, must intend to be registered as a Generator or Integrated Resource Provider with AEMO before reaching full commercial operations
EC4: Connection	The long duration capacity provider must be proposed to connect to the SA region of the NEM. Specific locational requirements may be prescribed from time-to-time to reflect network conditions and transmission infrastructure development.
EC5: Funding	The long duration capacity provider must not have secured, or intend to secure, concurrent funding through CIS or a similar funding source (e.g. bilateral) for the same facility for the same period
EC6: Project structure	The long duration capacity provider must, or intend to be, contained within a special purpose vehicle (SPV) or equivalent suitably ring-fenced arrangement to establish a clear and transparent structure for the calculation of operational net revenue and provide clarity and safeguard the interests of all parties
EC7: Minimum development status	The long duration capacity provider must have secured land tenure, received development approval and have received a connection enquiry response from the relevant NSP.

3.2.2 Expansion projects

An 'expansion project' refers to a project that adds a new long duration capacity provider at the same site of an existing long duration capacity provider and where some common infrastructure will be shared.

The Scheme Administrator may, at its absolute discretion and subject to the new long duration capacity provider otherwise complying with the tender eligibility criteria and these Guidelines, consider expansion projects as eligible to tender as 'new long duration capacity providers'. Such factors that the Scheme Administrator may consider in allowing an expansion project include:

- The physical connection point of existing and proposed new long duration capacity providers, where separate physical connection points is preferred.
- The ownership of existing and proposed new long duration capacity providers, where separate owners is preferred.

If a long duration capacity provider proposes (refer 3.2.5.2) an expansion project and it is considered as eligible by the Scheme Administrator, the provider should note that:

- The tender process will be available only for new infrastructure installed;
- The new long duration capacity provider will need to, in its own right, satisfy the eligibility criteria; and
- Benefits in each bid assessment criterion will be assessed for the proposed new long duration capacity provider only, and not the existing infrastructure.

3.2.3 Announcement of a tender round

The Minister may direct the Scheme Administrator to conduct a competitive tender process (tender round) to assist in meeting the FET or otherwise for the purposes of the scheme.

The Scheme Administrator must provide formal notice to the market of an upcoming tender round, including the Tender Launch Date and Registration Period. This will likely be undertaken at the same or similar time to the release of a NOI Request process (see Section 2) and published in the same manner/location.

3.2.4 Tender launch

The Scheme Administrator will launch the tender round on their website. Upon launching the tender round, the Scheme Administrator will provide at-least the following information and documentation:

- Registration requirements and documents
- Tender information, documents and returnable schedules;
- Tender process deed poll; and
- FERM standard contract.

The Scheme Administrator will announce the tender round through a range of online communications and notify past respondents and known interested parties directly.

3.2.5 Registration

Registration is the first step in the tender process and must be completed before a tender response (project bid) may be submitted by a long duration capacity provider.

Registration serves multiple purposes including providing a mechanism for the Scheme Administrator to advise long duration capacity providers of:

- Any changes made to the relevant tender round process or timeline.
- Any clarifying or other information provided under the Q&A process (see Section 3.2.6.4).

The Registration process will commence on the Tender Launch Date and close on close-of-business (ACST) on the advised Registration closing date. It is proposed the Registration process will be a minimum of ten business days.

Further guidance on the Registration process is provided below.

3.2.5.1 Project Registration

3.2.5.1.1 Single response per project

The long duration capacity provider must provide a single Registration per generating system (as per AEMO registration). If a project has multiple potential configurations or designs (such as storage duration or nameplate capacity), the proponent must select a preferred configuration to register. A Registration will be considered a duplicate if it is deemed to be essentially the same project as another registration, and only has changes to the configuration or design (such as storage duration or nameplate capacity).

3.2.5.1.2 Projects with multiple connection points

Long duration capacity providers with separate network connection points will be considered as separate projects for the purposes of the scheme.

3.2.5.2 Project proponents

A single entity must be nominated at registration to provide the tender response for a long duration capacity provider (project proponent). The proponent must be a Special Purpose Vehicle (SPV) which:

- Satisfies any relevant tender eligibility criteria
- Sole purpose is to operate only the proposed generating system,
- Legally holds all of the physical generation / integrated resource system assets, and is entitled to all of the revenue, of the project.

The project proponent must:

- at the time of submitting the registration, hold an Australian Business Number (ABN) and be one of the following:
 - an Australian entity incorporated under the *Corporations Act 2001* (Cth)
 - a Commonwealth entity, as described in section 10 of the *Public Governance, Performance and Accountability Act 2013* (Cth) (Commonwealth Entity)
 - an Australian State or Territory owned (wholly or partly) corporation or a subsidiary of a State or Territory owned (wholly or partly) corporation or
 - an Australian local government or council or an Australian organisation that has the purpose of representing and supporting local governments or councils and

If a proponent is submitting on behalf of the relevant entity, the proponent must also provide information to demonstrate the qualification of the entity.

3.2.6 Tender preparation and submission

Following successful Registration, proponents will be invited to submit a tender response within the prescribed timelines and in accordance with these Guidelines and related tender documentation published by the Scheme Administrator.

3.2.6.1 Tender preparation

Tender information and schedules shall be submitted in a single stage. The proponent must provide accurate, complete and current declarations, warranties, and information in the provided documents.

3.2.6.2 Submission

Tender responses must be submitted as prescribed by the Scheme Administrator and include all requested information and Returnable Schedules in line with tender documentation.

Tender responses shall be:

- In English
- Submitted in accordance with any format requirements specified in relevant Returnable Schedules
- Priced in current Australian dollars and all pricing must be GST exclusive.

3.2.6.3 Process deed poll

Proponents must execute the Process Deed Poll provided by the Scheme Administrator within the tender documents and provide as a returnable schedule with the tender response.

The Process Deed Poll will include, amongst other things:

- An acknowledgment that the relevant entity accepts and is bound by the relevant guidelines and tender documents and schedules
- A warranty that the proponent has, and its Associates have, complied with these Guidelines and tender processes in respect of its and their participation in the tender process
- A warranty as to the truth and accuracy of the information submitted by the proponent.

3.2.6.4 Tender Q&A Process

The Scheme Administrator shall operate a tender question-and-answer (Q&A) forum to ensure fair and equitable access to information.

Proponents may submit clarification questions to the Scheme Administrator no later than five (5) business days before the corresponding project tender response closing date. Proponents should prepare any questions in a manner that does not disclose sensitive or confidential information.

The Scheme Administrator shall make reasonable endeavours to answer questions within five (5) Business Days after receipt of the relevant question (subject to the number, materiality and complexity of questions received) and to share de-identified questions and responses publicly via its website and to the proponents of Registered projects.

If a proponent does not wish a question or response to be made publicly available, it must identify the question as 'commercially sensitive – not for circulation', together with an explanation of why the information is project-specific and sensitive. A determination will be made by the Scheme Administrator as to whether to answer such a question, and whether to circulate the response, or a generic and/or de-identified version of the response, to all registered proponents.

3.2.6.5 Late Tender Responses

A tender response submitted after the deadline will only be accepted at the absolute discretion of the Scheme Administrator. For example, a late tender response may be admitted for assessment if:

- Actions or omissions by the Scheme Administrator caused the delay in submission; or
- The proponent can clearly document to the satisfaction of the Scheme Administrator that an event of exceptional circumstances caused the tender response to be lodged after the relevant submission deadline, and that the integrity of the Tender Round will not be compromised by accepting a submission after the relevant deadline.

The Scheme Administrator is under no obligation to exercise its discretion to accept a late tender response or to disclose to any proponents the acceptance of another proponent's late response. Extensions of time, including in relation to dates and times published in the tender response, may be granted at the absolute discretion of the Scheme Administrator.

3.2.6.6 Obligation to notify of errors

If, after any tender response has been submitted, the proponent becomes aware of material error in the relevant tender response (including an error in pricing but excluding clerical errors that would have no bearing on the evaluation of the tender response), the proponent must promptly notify the Scheme Administrator of such error. Any tender response that is so identified will be subject to the same conditions as if the proponent were seeking to change or vary their tender response (see Section 3.2.6.7)

3.2.6.7 Changes to a submission

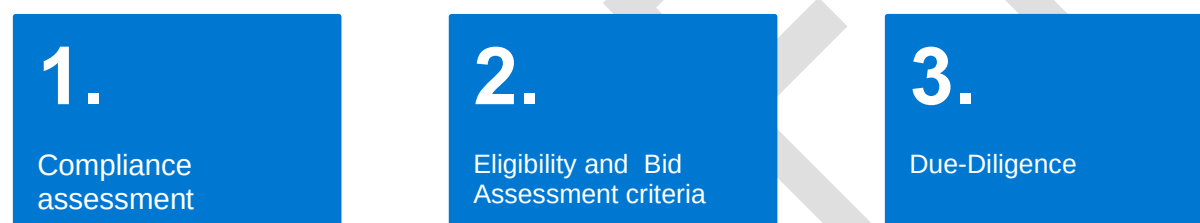
If a proponent wishes to vary their tender response, they must notify the Scheme Administrator that they wish to withdraw their existing response and submit a replacement tender response prior to the tender response closing deadline.

Changes to the identity or corporate structure of a proponent following registration will only be accepted if made in accordance with the tender conditions.

3.2.7 Tender assessment

The Scheme Administrator will initially screen tender responses against compliance and eligibility criteria, before assessing against the relevant tender bid assessment criteria. The process is summarised in **Figure 3** with further detail provided below.

Figure 3 – Tender assessment process



3.2.7.1 Compliance assessment

If a proponent submits a tender response that is materially non-compliant with the tender requirements as outlined in these Guidelines or as published by the Scheme Administrator, the Scheme Administrator may elect to not assess the tender response further.

3.2.7.2 Confirmation of eligibility

The proponent must provide information as part of its tender response which demonstrates that the project meets all of the listed tender eligibility criteria outlined in these Guidelines. Tender responses submitted by proponents that do not meet all the tender eligibility criteria may not be further assessed.

A material departure from tender eligibility criteria may render a tender response ineligible.

3.2.7.3 Bid assessment criteria

The proponent must provide information as part of its tender response to allow the Scheme Administrator to assess tender responses against the bid assessment criteria of the tender round. The scheme's standard bid assessment criteria is provided in Table 5. These criteria may be amended or altered for specific tender rounds. Any criteria that are adopted for specific tender rounds will be included in Section 7 of these Guidelines.

Table 5 – Standard Bid Assessment Criteria (BAC)

Ref	Title	Broad description of assessment
BAC1	Project deliverability and timetable	The Scheme Administrator will assess a project's progress towards achieving key development milestones and feasibility of reaching Financial Investment Decision and commercial operations. This includes: • An understanding of key development and construction risks (including mitigation strategies) to achieve commercial operations • Financing strategy and financial capacity to support the development, construction and operation of the project • Contracting strategy and progress in securing partners and suppliers to deliver the project
BAC2	Financial value	The Scheme Administrator will assess the value of a bid through: • Set floor, threshold and ceiling values • Projects with a relatively high ability to contribute to reducing wholesale electricity market costs and reduce volatility
BAC3	Commercial departures	The Scheme Administrator will assess the materiality of changes to risk allocation and additional administrative burden or new risks from what is set out in tender documents.

3.2.7.4 Due-Diligence Activities

To inform the assessment against eligibility and bid assessment criteria, the Scheme Administrator and/or the Financial Vehicle may undertake due-diligence activities on one or more projects, which may include:

- Commissioning or completing relevant research, analysis and modelling
- Contacting any relevant government agencies or other relevant parties about a tender response, project, or proponent
- Seeking information from third parties to validate information provided by a project proponent and/or related participants relating to the progress of a project and expected commissioning timeframes. This includes, but is not limited to, information from the relevant network service provider, AEMO, the relevant local council and/or the State planning authority

- A detailed assessment of project delivery risks against the development milestones bid by the proponent, corporate and financial capacity and viability assessment and confirmation of compliance with Foreign Investment Review Board and relevant work health and safety and other regulatory and government policy requirements
- A review and assessment of further information to be submitted by the proponent.

A tender response that is the subject of adverse due diligence findings may be excluded from further consideration. The Scheme Administrator may, but is under no obligation to, seek a response from a proponent in relation to such an adverse due diligence finding prior to deciding whether to exercise its discretion to exclude a tender response from further consideration.

3.2.8 Negotiation and contract award

3.2.8.1 Negotiation

Following the conclusion of the tender process and after taking into account any requirements specified by these Guidelines, the Scheme Administrator may enter into negotiations with a successful proponent for the provision of long duration dispatchable capacity.

3.2.8.2 Recommended proponents

Following the completion of negotiations, and after taking into account any requirements specified by these Guidelines and further consulting with the Minister, the Scheme Administrator may make recommendations to the Financial Vehicle in relation to the award of contract(s) to a successful proponent(s) under the tender round.

3.2.8.3 Award of contract

The Financial Vehicle may, on the basis of a recommendation from the Scheme Administrator, determine to enter into a contract with the relevant entity for the provision of long duration dispatchable electricity capacity.

A proponent is bound by its tender response and, if selected as a successful proponent, must enter into a FERM agreement on the basis of the tender response.

The selection of a proponent as a successful proponent does not of itself give rise to an express or implied contract between the successful proponent and the Financial Vehicle to provide financial support to the successful proponent regarding the relevant project. No legal relationship will arise between the successful proponent and the Financial Vehicle until such time as a FERM agreement is executed by both parties.

The Financial Vehicle is under no obligation to enter into a contract with a successful proponent or any other person.



3.2.9 Market Notices

Within 15 business days of completion of a tender round, the Scheme Administrator shall publish a market notice summarising the outcomes of the tender, including:

1. Amount of generation contracted (MW).
2. Relevant financial information related to the generation contracted (for example, indicative \$/MW).
3. Relevant lessons learnt for the market (e.g. omissions or errors in tenders) to support continuous improvement.



Section 4: FERM contracts (General Guidelines)

**Part 5 Divisions 2, 3 & 4 of the
Regulations**

4 FERM Contracts

The Regulations provide for FERM contracts to be negotiated and entered into in three key scenarios:

- Negotiated contracts at the conclusion of the NOI process (Part 5 Division 2)
- Tender contracts negotiated at the conclusion of a tender round (Part 5 Division 3)
- Transitional contracts that are negotiated during the transitional period following scheme commencement and prior to 30 June 2026 (Part 5 Division 4).

4.1 Negotiated Contracts

4.1.1 Context

The Scheme Administrator can directly negotiate contracts with a recognised electricity entity following the NOI process, where:

- A recognised electricity entity has indicated in an NOI it intends to exit or withdraw from the NEM or otherwise cease to be available to provide long duration dispatchable capacity during the relevant commitment period; or
- A recognised electricity entity provides advice that the entity is, or is expected to be, in breach of a Capacity Commitment indicated in an NOI.

If a recognised electricity entity enters into a contract with the Financial Vehicle following the negotiations above, any capacity commitment under the relevant NOI ceases to apply and the recognised electricity entity will not be taken to have breached any capacity commitment under the NOI.

The recognised electricity entity will be required to comply with the capacity commitment specified in the contract in accordance with the terms of the contract.

4.1.2 Process

A high-level overview of the direct negotiation process is shown in **Figure 4** with further detail provided below.

Figure 4 – Direct negotiation process



4.1.2.1 Identify need for possible direct contracting

The Scheme Administrator can seek to directly negotiate with a recognised electricity entity for the provision of long duration dispatchable electricity capacity in the circumstances outlined above. This could occur:

- Following the completion of an NOI (whether immediately or later during assessment of tender responses); or
- Following receipt of advice with respect to a change in Capacity Commitment.

4.1.2.2 Process

The Scheme Administrator can directly negotiate with a recognised electricity entity after taking into account the requirements outlined below:

- the extent to which this would represent the best value from available long duration capacity providers to fulfill South Australia's long duration capacity requirements, having regard to both short and long term requirements and the FET;
- the extent to which this would provide confidence to South Australian consumers that they are not underwriting a recognised electricity entity's profits unreasonably, having regard to the published Value of Customer Reliability (VCR) as appropriate.

4.1.2.2.1 Consultation

The Scheme Administrator must consult with the Minister and the Financial Vehicle before entering into a direct negotiation, and must provide the following information to the Minister and the Financial Vehicle for this purpose:

- Total Capacity Commitment for the Commitment Period (in MW) proposed under the contract; and
- Expected maximum charges payable under a direct contract.

Updated information shall be provided to the Minister and Financial Vehicle following the conclusion of negotiations.

4.1.2.3 Contracting

The Scheme Administrator may, at the end of negotiations and after taking into account any requirements specified by these Guidelines and further consulting with the Minister, recommend that the Financial Vehicle enter into a contract with the relevant recognised electricity entity. The Financial Vehicle may, on the basis of a recommendation, enter into a contract with the recognised electricity entity.

The Financial Vehicle must ensure that any contract entered into with a recognised electricity entity following the process above is consistent with any relevant requirements or terms specified by these Guidelines.

[Drafting note: any relevant requirements / commercial terms yet to be prescribed]

4.1.3 List of Negotiated Contracts

A list of negotiated contracts made under the FERM may be published and maintained on the Scheme Administrator or Department's website, subject to any commercial sensitivities or concerns. Information that could be published includes:

- Power station
- Contract period
- Capacity commitment
- Key terms of contract (excluding any commercial-in-confidence information).

4.2 Tender contracts

Contracts awarded to successful project proponents following a tender round will be awarded by the Financial Vehicle, upon recommendation by the Scheme Administrator as set out above.



Section 5: Reliability and Market Liquidity Obligations

Part 8 of the Regulations

5 Reliability and Market Liquidity Obligations

5.1 Market liquidity obligation

Under the Regulations, recognised electricity entities and new designated electricity entities who are a party to a contract under regulation 22 (following tender) are required to act in accordance with a 'market liquidity obligation'. A market liquidity obligation is an obligation to undertake certain contracting activities, and to take related steps, in the NEM by offering a certain number of contracts, or having a certain net contracting position, over a particular period, in accordance with requirements specified by these Guidelines.

5.1.1 Obligation

Recognised electricity entities are required to offer 20% of their Capacity Commitment through contracts that meet the criteria outlined in section 5.1.2 below into a designated trading platform or bilateral market (OTC market), subject to section 5.1.3 below.

For the relevant period during which the market liquidity obligation applies, refer to 6.6 below for FERM Round 1.

5.1.2 Product Types and Criteria

A product must be a 'qualifying contract' as per section 14O(1) of the NEL, except as modified below. A product can be either a standard qualifying contract or a non-standard qualifying contract.

For the purposes of the FERM Scheme, a standard qualifying contract is an electricity futures contract (either a cap or peak load futures) with a fixed price or shaped volume and which meets the product criteria listed below.

For the purposes of the FERM Scheme, a non-standard qualifying contract includes firming Power Purchase Agreements, internal hedges, innovative or bespoke products such as an Evening Peak, etc.

Products must:

- Be standardised in format and terms (e.g. ASX-style contracts or in accordance with the [AFMA Electricity Market Conventions](#)).
- Products can be monthly, quarterly, calendar or financial year.
- Include (at a minimum) supply for the summer/winter evening peak period (18:00 to 21:00) for weekdays from 1 December to the last day in February inclusive, and 1 June to 31 August inclusive.

- Be suitable for firming activities (e.g. must have a suitable firmness factor using the relevant RRO firmness factor methodology¹) with appropriate evidence of the methodology used to determine the firmness factor for compliance purposes.
- Be publicly listed on a central registry or exchange (e.g. ASX or a registered OTC market) or offered through a broker or otherwise be appropriately recorded for accounting and compliance purposes.
- Be available to Market Customers (e.g. retailers, large load customers).
- Specify any counterparty eligibility criteria.
- Be a minimum of 1MW and quoted in \$AUD/MWh.
- If a standard qualifying contract, have a maximum bid/spread offer of 7% or \$1/MWh (whichever is the highest) for peak load contracts or 10% or \$1/MWh (whichever is the highest) for cap contracts.

Existing contracts (entered into before 30 June 2026) that cover the Obligation Period and that meet the product criteria above can be grandfathered and considered a qualifying contract for the purposes of the market liquidity obligation.

5.1.3 Exemptions

A recognised electricity entity, or a new designated electricity entity who is a party to a contract under regulation 22, that is under a long-term outage or refurbishment as advised in advance to the Scheme Administrator (e.g. via an MTPASA response) will not be required to comply with the market liquidity obligation in section 5.1.1 above (the exemption is limited to the advised period of outage).

5.2 Reliability obligation

Under the Regulations, certain Market Customers are required to act in accordance with a 'reliability obligation'. A reliability obligation is an obligation to undertake certain contracting activities, and to take related steps, in the NEM by purchasing a certain number of contracts, or having a certain net contracting position, over a particular period, in accordance with requirements specified by these Guidelines.

5.2.1 Obligation

Retail electricity licensees serving contestable consumers with consumption exceeding 10GWh/year and large consumers who self-contract and exceed total demand of 10GWh/year (Obligated Participants) must have sufficient coverage to meet their forecast one-in-two-year peak demand.

¹ [Interim Contracts and Firmness Guidelines](#)

Market Customers must determine: i) if they are an Obligated Participant and, if so, ii) the amount of coverage required to meet their Obligation based on historical and forecast demand.

5.2.2 Eligible Contracts

Contracts must be:

- Auditable to verify compliance with volume and duration requirements.
- Standardised in format and terms (e.g. ASX-style contracts or in accordance with the [AFMA Electricity Market Conventions](#)).
- Assessed for their firmness using the methodologies outlined in the AER [Interim Contracts and Firmness Guidelines](#) and meet the specified minimum firmness rating (refer to Section 7 below for FERM Round 1).

5.2.3 Exemptions

The following Market Customers will not be required to comply with the reliability obligation in section 5.2.1 above:

- Market Customers with portfolios dominated by controllable or dispatchable generation; and
- Loads with verifiable firm demand response capabilities or significant behind-the-meter firming that can meet their obligations.

Section 7: Indicative FERM Round 1 Guidelines

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6 FERM Round 1

This Section relates to Round 1 of the scheme, comprised of the NOI Round 1 and Tender Round 1, as well as related Market Liquidity and Reliability Obligations.

6.1 Objectives

The NOI Round 1 seeks to confirm the intention of recognised electricity entities in respect to the commitment period outlined in Table 6.

Tender Round 1 aims to secure additional long duration dispatchable electricity capacity in respect to the commitment period outlined in Table 6. To achieve this objective, the scheme will invite competitive bids across the tender categories outlined in Table 7.

Table 6 - NOI Round 1

	Lead Time (years) (N=2025)	Commitment Period (2 years)
NOI	N+4	1 st November 2028 – 31 st October 2030

Table 7 - Tender Round 1 categories

	Lead Time (years) (N=2025)	Operational Period (15 years)
Tender Category 1: New generation	N+3	1 st November 2028 – 31 st October 2043
Tender Category 2: New generation	N+4	1 st November 2029 – 31 st October 2044
Tender Category 3: New (long-lead) generation	N+6	1 st November 2031 – 31 st October 2046

6.2 Timeframes

Indicative timeframes for Round 1 are shown in Table 8, however, this is subject to stakeholder feedback to the Stage 2 consultation.

Table 8 - Indicative Round 1 timelines

Publish Minister's guidelines	August 2025
Round launch	2 weeks after Guidelines published
Project Registration and NOI portals open	Concurrent with round launch date
Project Registration and NOI portals close	2 weeks after portals opens request
Tender submission portal open	1 week after Registrations close
Tender submission portal closes	4-6 weeks after portal opens (at 5pm ACST)
Assess NOI and tender responses and conduct due diligence	6 weeks following portal close
Award contracts	Late 2025/early 2026

6.3 Eligibility and assessment criteria

The following eligibility criteria (applicable to both the NOI and tender processes) and bid assessment criteria (applicable to the tender process) will apply to Round 1.

6.3.1 Eligibility Criteria

The eligibility criteria in Section 2.3 applies to the NOI process (noting that a list of recognised electricity entities will be published on the Department's website with these Guidelines).

The eligibility criteria in Section 3.1 applies in whole for Tender Categories 1 and 2. The eligibility criteria in Section 3.1 Applies for Tender Category 3, with the exception of EC7 (Minimum Development Status), which does not apply to this category.

6.3.2 Bid Assessment Criteria

The standard scheme bid assessment criteria in Section 3.2.7.3 applies in whole for Tender Categories 1, 2 and 3. In addition to this, the Scheme Administrator will be required to apply the assessment criteria specified below in respect to Tender Round 1.

6.3.2.1 BA1: Project deliverability and timetable

A project's progress towards achieving key development milestones and feasibility of reaching Financial Close and commercial operations by the relevant Commitment Period. This includes:

- An understanding of key development and construction risks (including mitigation strategies) to achieve commercial operations.
- Financing strategy and financial capacity to support the development, construction and operation of the project.
- Contracting strategy and progress in securing partners and suppliers to deliver the project.
- Qualifications and experience of the project proponent and participant(s), including relevant experience successfully delivering similar projects and in the South Australian context.

6.3.2.2 BA2: Financial value

The financial value of the project to South Australian energy consumers will be assessed, using the provided commercial model parameters outlined in Section 6.4.1.

Projects that expose South Australian consumers to greater level of risks will be judged as a lower merit than projects where South Australian consumers are required to provide less underwriting support.

Projects with a relatively high ability to contribute to reducing wholesale electricity market costs and volatility will be considered favourably.

6.3.2.3 BA3: Commercial/contract departures

The scale of any departures will be reviewed and scored accordingly by the Scheme Administrator. The Scheme Administrator will score responses that accept the contract with no changes to risk allocation highly.

If departures are proposed, they may be considered based on the nature and extent of each departure and its impact on (amongst other things):

- The risk allocation between the long duration capacity provider and the scheme;
- The administrative burden and cost to the scheme; or
- Consistency with scheme objectives.

The Scheme Administrator may negotiate with proponents on any proposed departures.

6.3.3 Tender response requirements

Tender response requirements and schedules will be outlined by the Scheme Administrator within the tender documents published upon tender release.

6.3.4 Tender conditions

Tender conditions will be provided as part of tender documentation published upon tender release.

6.4 Financial Bid Parameters and Contract Payments

6.4.1 Commercial model

Payments under contracts issued in Tender Round 1 will be calculated using a Cap and Collar commercial model. In their tender responses, proponents will be required to submit three financial variables as shown in Table 9.

The nominated upside and downside sharing percentages for Tender Round 1 are shown in Table 10.

Table 11 summarises the revenue and costs permitted for proponents to include in calculating their annual revenue on an on-going basis (as prescribed in contract documents).

Cap and collar parameters will be indexed at CPI from the executed contract date to the commencement of each operational year of the commitment period. Contract reconciliations and payments will occur annually, unless contract terms specify an alternative approach.

Table 9 - Financial Variables

Variable	Description	Value	Unit
Floor	The expected revenue from markets and contracts	XX	\$/year
Threshold	The project's viable net revenue	XX	\$/year
Ceiling	The ceiling above which the project retains excess net revenue	XX	\$/year

Table 10 - Fixed parameters

Upside sharing (between the threshold and ceiling)	50%
Downside sharing (between the floor and threshold)	100%

Table 11 - Revenue and costs included in the annual revenue calculation

Permitted revenue	• Energy sales (inc negative electricity) • Renewable energy or green products • Supply of ancillary services • Offtake contracts/power purchase agreements/ Energy market derivative contracts premiums AEMO (inc negative electricity) • Other revenues as determined by the Scheme Administrator
Excluded revenue:	• Non-energy related income • Government subsidies incl grants and tax credits
Permitted costs:	• Energy market contract settlement payments
Excluded costs:	• Fuel and electricity purchases, including storage and transport • Routine operation and maintenance costs • Decommissioning costs • Penalties and fines • Non-operational costs (e.g. scheme costs, financing costs, regulatory compliance, depreciation) • Plant upgrades and overhauls

6.5 Contract terms and conditions

The standard FERM agreement available to new long duration capacity providers will be published by the Scheme Administrator as part of the Tender Round 1 documentation. A draft term sheet has been provided with these draft Guidelines for comment.

6.6 Reliability and Market Liquidity Obligation Requirements

The Market Liquidity Obligation Period is from 1 December 2028 to 28 February 2029 inclusive, and 1 June to 31 August 2029 inclusive.

The Reliability Obligation must be calculated against the 2028/29 Firm Energy Target, announced by the Minister for Energy and Mining and published on the Department's website: energymining.sa.gov.au.

The minimum firmness rating for products contracted under the above obligations is 0.8.

The timeframes for the Market Liquidity and Reliability reporting obligations are outlined in Table 12 below. Further information regarding reporting requirements in connection with the market liquidity and reliability obligations will be published in the Regulator's Guidelines.

Table 12 - Market Liquidity and Reliability Obligation reporting timeframes

Report	Due	Submitted By
Market Liquidity Obligation Forecast Report	30 June 2026	All Recognised Electricity Entities
Reliability Obligation Demand Forecast Report	30 June 2026	All Market Customers that are an Obligated Participant under Section 5
Market Liquidity Obligation Contracting Activity Report and Compliance Declaration	31 August 2029	All Recognised Electricity Entities
Reliability Obligation Contracting Activity Report and Compliance Declaration	31 August 2029	All Market Customers that are an Obligated Participant under Section 5