

Solar 60 – Indicative Terms Sheet

This indicative terms sheet is not legally binding on any party. No contract is formed unless and until the State of Queensland as represented by the Department of Energy and Water Supply (DEWS) and a project proponent agree and execute a project support agreement.

For the purpose of this indicative terms sheet, DEWS is the department responsible for negotiating with project proponents the Queensland Government financial support available to projects as part of the Queensland Government Solar 60 program.

A range within which the strike price will lie, will be published shortly and a final strike price will be published by the end of 2015.

Project proponents should be aware that DEWS is unable to enter into any binding commercial contract in respect of projects under the Queensland Government Solar 60 program without the approval of the Premier of Queensland and the Queensland Government. This approval must be sought in accordance with Queensland Government policies and procedures.

This indicative term sheet sets out the basic commercial terms on which DEWS is prepared to enter into negotiations with project proponents for:

1. long term financial support provided by the State to secure the development of projects
2. other non-financial undertakings such as the transfer of large-scale generation certificates created under the RET scheme by the project to the State on the terms stipulated in the project support agreement, information sharing and other matters as required by regulation.

The matters set out in this indicative term sheet will be subject to the following:

1. The project proponent providing ARENA with unconditional approval to share their entire bid proposal, including any updates, with the Queensland Government or its representatives (subject to agreement by the Queensland Government to abide by confidentiality terms).
2. The project proponent formally advising DEWS of consortium participants as well as specifying respective roles and interests (i.e. financial and other) within the project.
3. The Project proponent acknowledging that it is unable to assign any Queensland Government support and/or agreement to another party without the written consent of the Queensland Government.
4. The Project proponent owning and/or having registered control over the project site.
5. The Project proponent complying and continuing to comply for the life of the project with all applicable regulations pertaining to the Queensland Government Solar 60 program – evidence will have to be provided
6. The Project proponent providing evidence to DEWS that the project can technically produce the energy amount submitted in the bid for the life of the project.
7. Disclosure of all other funding sources for the project either State based, Commonwealth or private.
8. Access to any technology performance outcomes, regulatory information and research and development information gained from the project.

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| Purpose and Use of State Government Project funding | The proponent will only receive financial support during the operation phase for the actual generation units delivered at the Queensland node. |
| Duration of State Government funding agreement | The agreed period of the funding will commence on the proposed start date cited in the bid proposal that was successful in the ARENA competitive funding round. Any delay in exporting to the grid will shorten the duration of funding. The receipt of financial support will commence at the start of energy export to the NEM grid. |
| Non-financial obligations | The proponent will create and have registered LGCs for all eligible generation under the RET Scheme and transfer them to the State at a cost of \$0 AUD/certificate. |
| Financial Arrangements | <p>Start date: The State's financing will be a Contract for Difference starting from the later of the start date cited in the bid proposal that was successful in the ARENA competitive funding round or completion of project commissioning which constitutes the start of export of energy to the NEM.</p> <p>Duration: The agreement will be for a nominal term of 20 years subject to the duration term above.</p> <p>Contract Price: A contract price will be negotiated to allow for the bankability and development of the project. The State is currently investigating pricing structure options</p> <ul style="list-style-type: none"> • flat price • escalating price • step change (in 2030) • combination of above options to suit both parties. <p>The base case will be a flat nominal price at the final strike price announced in early December 2015.</p> <p>Reference price: will be the NEM half hourly pool prices at the Queensland node.</p> <p>Payment terms: The State will provide support payment to project proponents monthly in arrears following the receipt of an invoice with supporting information (i.e. metered generation) and the registration and transfer of LGCs to the State. The State will pay the Project proponent the contract price less the value of the electricity where it be sold into the NEM spot market. In the event that the market value is more than the contract value this will appear as a credit to the State in the invoice (two-way CfD).</p> |
| Project Operational Date | The project proponent must acknowledge that the Project operational date is as stated in ARENA successful bid proposal. |
| Key Performance Indicators | <p>Project proponents acknowledge that for the project they will:</p> <ul style="list-style-type: none"> • be responsible for obtaining any necessary approvals, licences to construct, commission, operate and maintain the project • undertake community engagement with local government, Queensland Resource Council and the local community where the project is proposed to be constructed • engage local industry in the construction and ongoing maintenance of the project |

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| | <ul style="list-style-type: none"> • design and construct the project to enable energy generation for at least 20 years • design and construct the project to generate output of at least [xx] MWh per year [as stated in the successful bid proposal] with an allowable degradation of 0.5% per annum • meet key milestones such as financial close, contractor engagement, start of construction and completion of commissioning as per the agreed schedule [Dec 2016 for financial close, commissioning completed by Jan 2017]. Any delay might subject the terms of the Agreement to review. |
| Reporting | <p>Project proponents must supply DEWS with a detailed status report on the 5th working day of each month. This report is to include:</p> <ul style="list-style-type: none"> • the energy generated and exported to the NEM • any closures during the month • any major maintenance work that was undertaken • any incidents (e.g. workplace injuries, risk breaches). |
| Termination/Suspension | <p>DEWS reserves termination and/or suspension rights in relation to Project proponent breaching any of the terms and conditions of the State support agreement.</p> |