Request for Costing an Election Commitment

Name of proposal:	Big Canberra Battery
Person requesting costing:	Andrew Barr, MLA
Date of request:	14 October 2020
Summary of proposal:	ACT Labor will commit $100 million to deliver at least 250MW of battery capacity – ensuring lower electricity prices and a more stable and resilient power grid. The Big Canberra Battery will be distributed across the Territory including one to two large sites, as well as a series of distributed precinct-scale batteries. $100 million over the next five years will be invested in these projects to support the delivery of ACT Labor's Big Canberra Battery.. This investment recognises that Large Scale Battery Storage systems have the potential to play a key role in maintaining power system reliability and security but acknowledges the fact that the sector is still in early development across Australia. We want Canberra to maintain its leadership as the home of renewables in this country. We are the first jurisdiction to reach a 100% renewable electricity target outside of Europe. Now we will be the frontier of the next step in the technological development towards a greener future. We know that through this transition the diversification of the dispatchable electricity supply will be important to ensuring a secure and reliable network. This project will be potentially delivered through different means, including the possible provision of debt, partnering with the private sector and community organisations (particularly around new developments and direct delivery at public assets). The Government also has other levers available to it including guaranteeing pricing and provisions for asset maintenance costs – all of which would be

	examined in Government to achieve the project at maximum value.
Issue the proposal will address:	This commitment will: • provide energy security/resilience for Canberrans; • manage extreme weather impacts; • reduce the cost of living for Canberra families by supporting more wind and solar projects and allowing opportunities for community ownership, which are now the cheapest forms of power; and • help protect and create jobs in the green energy sector. Larger scale single site batteries will support growth in renewable energies, particularly through partnerships that allow for firming up of projects. The transmission network projects are an important part of the energy storage solution, and there is a role for Government to support bringing more projects of this nature online. Distributed community batteries will allow for addressing network constraints in distribution. This will let more Canberrans have solar without emerging constraint issues and therefore improve the pay-off of solar. It will also address network variances and emerging constraints such as the network not being able to accommodate more solar. This will inherently require close work with the network operator.

What are the key assumptions that have been made in the proposal? Note: The costing will be developed on the basis of information and assumptions provided in the costing request. The professional judgment of the Under Treasurer will determine whether these assumptions are adopted in the costing of the proposal.
The $100 million fund will be established to deliver the ACT Big Canberra Battery. The distributed nature of the network and different objectives to be achieved mean that a number of different financial instruments will be used to both achieve these objectives while providing a return to the ACT community. Please note that Capital Inflows have not been included as it is not possible or appropriate to model them without having gone to market and undertaken appropriate market analysis and scoping. ACT Labor has been clear that the long-term impact of this proposal will be to return inflows to the Territory Budget.

The financial profile below will be adjusted if market testing and scoping indicates the capacity to deliver more projects sooner.

If elected, ACT Labor will develop an investment mandate that sets out the required returns for projects as part of the Big Canberra Battery and the thresholds for undertaking investments and partnering with the community and the private sector.

Interest costs are calculated as per the standard costing parameters with financial impact for one quarter of 2020-21.

Depreciation is not assumed as the ownership of assets has not been determined.

2 staff in the Cross-directorate team across Treasury and EPSDD will administer and deliver the Big Canberra Battery. Half-year costs assumed for 2020-21. One SOG A and one SOG B at with a workers comp rate of 2.02%.

What are the estimated revenue and operating costs each year (if available) and what are the capital requirements for this proposal and estimated costs each year (if available)?

	2020-21	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Revenue[a]						
Expenses - Staffing[a]	-187.3	-380.9	-388.3	-396.0	-403.9	-1,756.5
Expenses - Interest	-10.0	-160.2	-402.7	-969.2	-1,584.5	-3,126.6
Capital	-2,500.0	-7,500.0	-15,000.0	-35,000.0	-40,000.0	-100,000.0
Depreciation						

(a) A negative number indicates a decrease in revenue or an increase in expenses. The expenses row does not include depreciation costs.

Has any specific information or data been utilised in generating the proposal?

Yes – a number of studies and reports into the efficacy of battery storage and the future role battery storage will have in the national energy market including reports undertaken by the Australian Renewable Energy Agency.

Where relevant, is funding for the proposal to be demand driven or a capped amount?

Capped – but financial profile across years will be determined following market scoping.

Will third parties, for instance the Commonwealth or other State/Territories, have a role in funding or delivering the proposal? Does the proposal provide additional funding to, or redirect, any existing Commonwealth/State or Territory funding arrangements?

No

Will funding/the cost require indexation?
N/A
Who will administer the proposal?
ACT Treasury and EPSDD.
How will the proposal be administered?
A small cross-directorate team will be established to being market scoping works to determine the appropriate mix of the distributed network and the timing for brining particular projects online. This team will also advise government on the appropriate investment mandate to deliver on the stated objectives.
Is the proposal part of a broader package?
Yes. The proposal is part of ACT Labor's *Climate Change Strategy*
Has an allowance been made for expenses necessary to support the implementation of this proposal? – If no, will the government agency be expected to absorb expenses associated with this proposal? – If yes, please specify the key assumptions.
Yes
Will the proposal generate savings or offsets?
This proposal will have a capital inflow stream.
Has the proposal been previously costed by an external (third) party? Will a copy of this material, including any assumptions, be made available to Treasury?
No.
What are the community impacts associated with the proposal? Who and how many people will be affected?
All Canberrans.
Are there any transitional considerations associated with implementation of the proposal? If so, how will they be managed?
No.
What is the intended implementation date of the proposal?
Early 2021
When is the proposal expected to be fully operational? Please provide details such as the start and end dates, the level of commitment during each period etc.
Details above. ACT Labor will deliver the Big Canberra Battery over the term of Government.
Will the proposal cease, and if so, when?

No
Is there any additional information relevant to this proposal?
No