



Commercial Parameters

Network System Strength Services Agreements - Powerlink

Date: December 2023

Details

The Queensland Electricity Transmission Corporation Limited (ABN 82 078 849 233) (**Powerlink**) provides System Strength Proponents (**SSPs**) with high level terms as an example of the provisions that may be included in a network system strength services agreement (**NSA**). These example terms remain subject to Powerlink's requirements and the specific terms and conditions negotiated between the parties.

CONCEPT	DESCRIPTION
Term	<p>Preferred 3 to 10 years.</p> <ul style="list-style-type: none"> The term will be the period for which system strength services are to be provided. Powerlink may include options to extend the term. The term is subject to termination rights under the NSA. May be subject to fixed start and/or end dates to meet Powerlink's requirements for the commencement of services.
Conditions Precedent and Subsequent	<p>Powerlink Board approval, Ministerial approval and/or AEMO approval as required.</p> <p>SSP lender consents, board and shareholder approvals, any procurement contracts, Connection and access agreement, 5.3.9 process as required. A failure to achieve such dates may have consequences including delay damages or termination.</p>
System Strength Services	<p>Description of services, including:</p> <ul style="list-style-type: none"> Service limitations Technical characteristics Metering points Performance standards
Availability parameters	<p>Availability \geq 95% over an aggregate availability period (e.g. rolling 12 month period). Permitted periods of non-performance are excluded.</p> <p>Where 95% availability cannot be met, payment of the services fee may be abated. Alternative availability mechanisms are to be provided by SSPs including any exclusions to the Availability performance calculations (and are subject to acceptance by Powerlink).</p> <p>How availability is measured will depend on the nature of the system strength asset providing the service.</p> <p>Planned and unplanned maintenance will be accounted for in setting the availability targets.</p>
Availability standard not met	<p>A sliding scale of reduction in monthly availability charges payable by Powerlink may apply in the event of availability service levels not being met by technology type in the NSA.</p>
Framework for System Strength Charges	<ul style="list-style-type: none"> Availability payment per month/year (based on availability period across the proposed term). This is intended to cover fixed costs for providing the service. Enablement payment per event – intended to cover the cost of the service being enabled/activated.



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	<ul style="list-style-type: none"> Usage payment per hour of operation (\$/hour fee to operate e.g. O&M costs, costs to run at the minimum stable operating level where relevant). <p>SSP to specify whether the above fees are in real or nominal terms, and any proposed indexation methodology.</p> <p>Powerlink welcomes SSPs suggesting alternative charging frameworks or commercial models, particularly where these may help reduce the total cost to consumers.</p>
Energy	<p>The SSP must do all such things as may be reasonably necessary to facilitate Powerlink managing its exposure to variable electricity costs to provide the system strength services.</p> <p>Powerlink will reimburse the SSP's reasonable costs incurred where the SSP purchases electricity required to provide system strength services.</p> <p>The SSP (at the request of Powerlink) will use reasonable endeavours to purchase electricity at a fixed price. The SSP (or Powerlink if it elects to do so) may consider, identify and negotiate arrangements (which may be in the form of a retail agreement or a financial arrangement such as a derivative) that mitigates Powerlink's exposure to variable electricity prices.</p> <p>Powerlink may require the SSP to investigate options (at Powerlink's cost) for the installation of market meters (enabling the separate metering of electricity generated by the Reference Plant or electricity supplied to the Reference Plant).</p>
Credit support	<p>A bank guarantee, cash retention or insurance bond may be required to secure performance of the NSA (including payment of delay damages where applicable). This may be subject to Powerlink's internal requirements including SSP credit rating/capacity.</p>
Installation and Delay	<p>The provision of system strength services may be subject to project milestones (including procurement, installation, commissioning, testing and validation) as agreed by Powerlink. Where milestones are not achieved, consequences may include delay damages or termination.</p>
Liability and indemnity	<p>Powerlink's liability to SSP capped at lower of capital estimate of the SS plant, or \$50M (being amounts recoverable under Powerlink insurance). SSP liability must not be capped at lower than amounts recoverable or potentially recoverable under public liability policy of insurance (\$50M).</p> <p>Uncapped positions (fraud, wilful default) reflect those liabilities for which a court may award damages beyond the contractual terms due to their nature or which can be appropriately managed by insurance.</p> <p>Powerlink has a range of regulatory obligations to ensure supply reliability and power system security is maintained to its customers. SSP must be willing to accept liability in connection with any failure by it to provide system strength services, including a consequential reliability of supply failure.</p>
Insurance	<p>Public liability insurance (\$50M preferred) and a policy of insurance against loss or damage to the SSP's assets/works whether on or off site or in transit to the site.</p>
Prescribed Network charges	<p>The NSA will require Powerlink to cover the costs of any prescribed charges if they apply.</p> <p>Prescribed network charges may apply to system strength assets when they are operating as a load. Prescribed charges payable will then be passed through to Powerlink under the NSA.</p>
Change in Law	<p>Change in law financial thresholds for increasing or reducing charges and negotiation parameters are subject to negotiation.</p>



CONCEPT	DESCRIPTION
Termination and default	<p>Termination for breach (a remediation/cure plan may be permitted by Powerlink in some circumstances prior to termination). The events of default will depend on the nature of the proposed system strength assets, however termination rights may follow standard default events e.g. payment default, as well as prolonged force majeure or sustained failure of availability targets.</p> <p>Termination for convenience by Powerlink:</p> <ul style="list-style-type: none"> • NSA may include payment of reasonable costs actually and unavoidably incurred by the SSP that are directly attributable to the termination for convenience, provided that these costs do not exceed a capped amount. The cap may be based on: <ul style="list-style-type: none"> ○ Non-refundable amounts payable to contractors of the SSP; ○ Agreed percentage of unrecovered capital costs. • Any termination amount for termination for convenience payable by Powerlink will be subject to adjustment (deduction) (for example – for any reutilisation, recontracting value, residual or written down value of the system strength asset).
Dismantling Costs	<p>These are to be borne by the SSP (no pass through).</p> <p>Powerlink is contracting for part of asset life only - there is residual life and use of asset for SSP to repurpose.</p>
Payments and invoicing	<p>Invoicing requirements – monthly</p> <p>Payment terms – Powerlink requires 30 day payment terms</p>
Operational schedules	<p>Technology specific conditions</p> <p>Operational protocols</p>