



CLEAN ENERGY INITIATIVE

SOLAR FLAGSHIPS PROGRAM



This factsheet provides an update of the parameters of the Solar Flagships program, following Australian Government consideration of the program's business model.

Overview

The Solar Flagships program is part of the Australian Government's \$4.5 billion Clean Energy Initiative (CEI), announced in the May 2009 Budget. The CEI complements the Carbon Pollution Reduction Scheme and the Renewable Energy Target by supporting the research, development and demonstration of low-emission energy technologies.

To accelerate the commercialisation of solar power in Australia, the Government has committed \$1.5 billion to support the construction and demonstration of up to four large-scale solar power plants in Australia, using solar thermal and photovoltaic (PV) technologies.

PROGRAM DESIGN

Program Objectives

The primary objective of the Solar Flagships program is to provide the foundation for large-scale, grid connected, solar power to play a significant role in Australia's electricity supply and to operate within a competitive electricity market. The Government's aim is to establish up to 1000 megawatts (MW) of solar power generation capacity.

Other objectives of the program are: to develop a solar industry in Australia, encourage regional development, provide research infrastructure, develop Australian intellectual property in solar power generation and develop and share technical and economic knowledge from the program.

Program Strategy

The Solar Flagships program will support commercially proven solar technologies, with project selection to occur over two selection rounds to allow scope for emerging technologies on the verge of being proven commercially in the near future.

Commercially proven projects will be taken to mean those projects that have been demonstrated at an operational level of at least 30MW for twelve months or with a replicable module below 30 MW, with backing from financial and construction firms for scale-up plans.

There will no longer be a requirement for a single market participant to operate all Solar Flagships power plants.

Program Structure

The first selection round for the Solar Flagships program will be held in 2010 and is to select one solar thermal project and one PV project, with a target of up to 400MW of combined generation capacity. Proponents will be able to build plants in stages with solar thermal projects being required to locate at a single site for economies of scale, while PV projects will be able to span up to five sites, each of at least 30MW in size. The timing for the first selection round will be confirmed with the release of the program guidelines. Assessment of project proposals will be conducted by an independent body, the Solar Flagships Council.

The second funding round is planned to be held after the outcome of the first selection round is reviewed. This funding round will seek up to two projects that may be either solar thermal or PV. The details of this funding round will be determined at a later date.

Energy Storage and Hybridisation

After reviewing the costs and benefits of energy storage, the Government has decided that the inclusion of energy storage in Solar Flagship projects will be optional for Round 1, but competitive proposals with this element will be viewed favourably. To maximise the economics of solar thermal generation for providing firm supply and meeting evening peaks, as well as to enable increased generation efficiency, solar thermal projects for Round 1 will be allowed to include hybrid solar generation combining gas or other types of renewable energy, where the hybridisation would operate as an integrated part of the project and comprise no more than 15 percent of the project's total electricity output. Arrangements for Round 2 will be determined after review of Round 1.

Funding

Funding will be through taxable grant payments, based on successful completion of project milestones.

Project proponents will be required to demonstrate that they have sought funding for any project proposal at a ratio of at least two dollars from private and state or territory government sources for every dollar from the Solar Flagships program and that the proponent has exhausted private and state or territory government funding sources.

Funding from the Solar Flagships program will be in addition to revenues projects earn from sale of electricity and Renewable Energy Certificates.

Funding for Round 2 will be considered after the review of Round 1, noting that the Government expects that project economics will improve over time as the technology matures.

Selection Process and Criteria

The selection process for Round 1 will be over two stages. Project applicants shortlisted in the first stage will be invited to submit a full application. To reduce the cost of developing detailed project proposals, those projects that are shortlisted may be offered funding, on a matching dollar for dollar basis, to undertake detailed feasibility studies. Details of the selection process will be confirmed in the program guidelines.

In recognition of the critical role state and territory governments will play in project siting and delivery, project proponents will also be required to provide evidence of state or territory government endorsement of project proposals as a part of the selection process.

To demonstrate project revenue, proposals will be required to include an off-take agreement between the project proponent and a market participant, either contractually or through ownership.

Solar Flagship proposals will also need to include a research infrastructure component. As this component will be supported through the Education Investment Fund (EIF), it will be assessed by the EIF Advisory Board against EIF evaluation criteria. Proposals that meet both the EIF evaluation criteria and Solar Flagships criteria will be considered for Solar Flagships funds.

NEXT STEPS

To facilitate selection of projects in the second half of 2010, the Government expects to release program guidelines, timelines and open the Solar Flagships program for applications by the end of 2009.

CONTACT

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