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Thursday, July 10, 2025

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Latest renewable tenders point to rising costs in supply chain, but consumers will be spared



Flyer's Creek wind farm. Source: Iberdrola Australia

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SW State Government 2026

The latest information released from the NSW State Government 2026 its massive tenders for new wind and solar capacity points to rising costs in the global supply chain – which will be a surprise to few – although consumers will be spared any short term pain.

The release of market insights into what is known as Tender 4 – actually the third tender that targeted new wind and solar projects – points to an increased average “strike price” of \$65/MWh.

This is a significant rise over the prices of below \$35/MWh for solar and below \$50/MWh for wind that were hailed in the very first tender, and are higher also than the less than \$55/MWh secured in the next generation tender.

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The projects included in the first tender included the partially complete 720 MW New England solar farm, the 400 MW Stubbo solar project and the 275 MW Coppabella wind project. The second tender included the 350m MW Culcairn solar farm and the 400 MW Uungula wind project.

The latest tender comprised just two projects – the partially complete 140 MW Flyers Creek wind farm and the 172 MW Maryville solar project accompanied by a 372 MWh battery project – and came in well below the capacity sought.

Insiders say it points to the rising costs in the global – and local – supply chain. Wind turbines, in particular, are facing cost jumps due to the global supply crunch, and while solar module prices are at record low prices both technologies are being impacted by higher labour and civil construction costs.

It should be noted that the “strike prices” announced in the NSW tenders are not reflective of the actual cost of energy – commonly referred to as the LCOE, or levellised cost of energy.

That’s because they not a guaranteed payment, but a sort of an underwriting agreement that guarantees a minimum price over a 20 year period, and makes it easier for project developers to secure finance and on the best terms.

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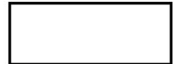
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term, because many predict wholesale prices will be higher in the short term at least.



The latest tender is also complicated by the fact that it features one project that combines a large solar farm with a battery storage component, effectively a hybrid facility that has been enabled by the passage of new rules that makes such arrangements much easier.

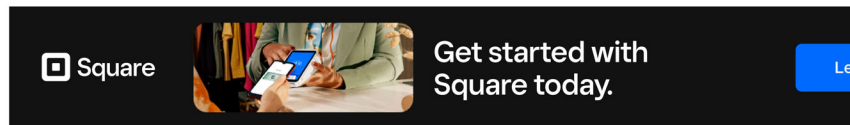
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Battery prices are also at record lows, but the addition of a battery project to the solar farm will also have resulted in higher prices, but likely better value because of the increased dispatchability.

“The Fixed Price for the Hybrid Project is higher than historically awarded solar only projects, impacted by the additional capital expenditure for storage,” an AEMO Services market briefing note explains.

“The Hybrid Project is expected to be registered as a scheduled generator with AEMO, which benefits the electricity system as the storage will dispatch at times when the solar resource is not available. The plant effectively provides a firm generation profile to the market.

“This benefit to NSW electricity customers outweighed the higher cost in the MC1 assessment.”



The good news for consumers is that they will unlikely to be facing huge bills from these underwriting agreements.

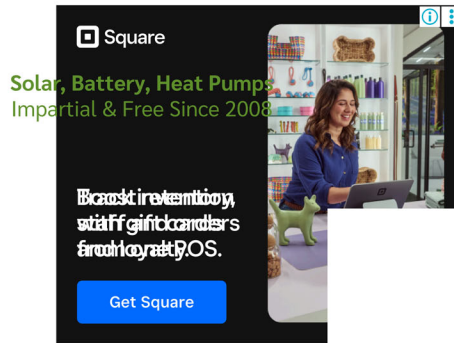
That’s because in most cases the LTESA will be waived by the developer in many years, and when they are in place they will only trigger payments if wholesale prices have fallen significantly, which would actually be good news for consumers.

If wholesale prices jump significantly, then there is a “claw back” mechanism that allows the state to recoup some of the profits.

These sort of mechanisms are becoming increasingly popular, and variations of them have been used by the NSW government in its deal with Origin over the future of the giant Eraring coal generator, although that deal is seen as heavily lopsided in favour of Origin, and in the federal government’s Capacity Investment Scheme.

The CIS is currently in the midst of its first major tender, the biggest ever in Australia, which will seek six gigawatts of new capacity, including a minimum 2.2 GW in NSW to help advance the projects needed to replace the coal fired generators that are due to close in the next decade.

The CIS is also being used to ensure that the South Australian government’s fast tracked target of 100 per cent net renewables by 2027 is met. That agreement proposes to support 1 GW of new wind and solar capacity and 600 MW (2,400 MWh) of new battery storage.

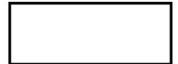


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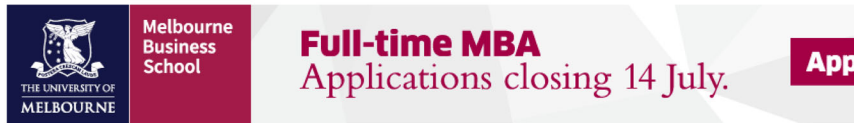


AEMO Services also addressed the question over the awarding on an underwriting agreement to a project that was well under construction – as was the case with the New England and Flyers Creek projects, saying they didn’t want development to stall while project owners awaited the result of projects.

“It instead encourages projects to continue their development without the need to pause or delay while waiting to be awarded an LTESA,” it said. “As such the LTESA product and tender process have been designed to accelerate investments and accommodate projects in both early and late stages of development.”

Giles Parkinson

Giles Parkinson is founder and editor-in-chief of [Renew Economy](#), and founder and editor of its EV-focused sister site [The Driven](#). He is the co-host of the weekly [Energy Insiders Podcast](#). Giles has been a journalist for more than 40 years and is a former deputy editor of the Australian Financial Review. You can find him on LinkedIn and on Twitter.



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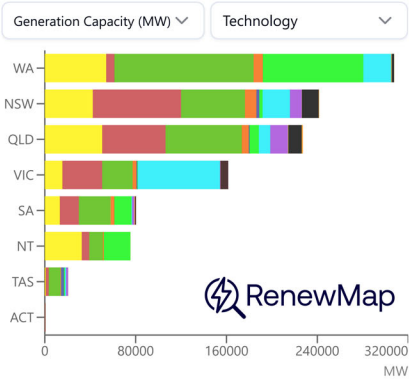
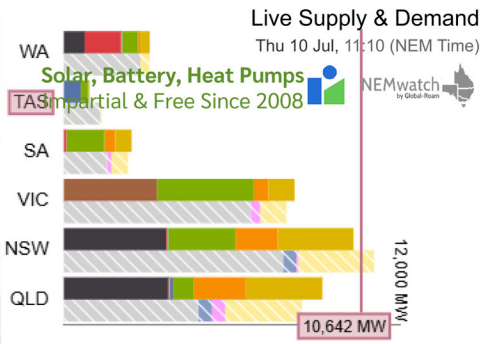
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Brown Coal	3,459 MW
Gas	1,456 MW
Liquid Fuel	5 MW
Other	107 MW
Hydro	776 MW
Wind	8,696 MW
Large Solar	4,292 MW
Small Solar	7,364 MW
Battery Storage	0 MW
Demand (AEMO Operational)	24,994 MW
Demand (Pumping Hydro)	962 MW
Demand (Battery Charging)	1,083 MW
Demand (Other)	0 MW
Demand (Met by Rooftop Solar)	7,364 MW

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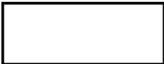
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Neoen wins approval to further expand its biggest battery project in NSW thanks to improvements in energy density.

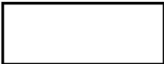
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Zen gets green tick for solar and battery project with up to eight hours storage

Zen Energy plans to build a solar farm and battery with up to eight hours storage waved through federal government’s EPBC queue. It still needs state approval.

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EnergyAustralia sells off half share in giant battery designed to help fill gap of ageing coal generator

EnergyAustralia sells half share in its biggest battery project, although it will retain control of the project that will help replace the ageing Yallourn coal generator in 2028.

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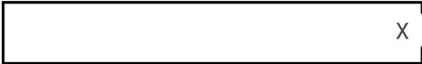
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