

Energy Price Rebates to Gladstone Power Station

FEDERATION FUNDING AGREEMENT – ENVIRONMENT

Table 1: Formalities and operation of Schedule	
Parties	Commonwealth Queensland (QLD)
Duration	This Schedule is expected to expire at the earlier of 30 June 2025 or at the point the funding limit is reached.
Purpose	<ol style="list-style-type: none"> 1. This Schedule will support the Australian and Queensland Governments' commitment to put downward pressure on electricity and gas prices for Australian households and businesses while maintaining energy security under the Energy Price Relief Plan (EPRP). 2. This Schedule supports the coal price components of the EPRP in Queensland, providing Commonwealth reimbursement to QLD for rebates in respect of thermal coal purchases for the purposes of electricity generation at the Gladstone Power Station (GPS) for the period from 01 January 2023 to 30 June 2024. 3. The costs of the rebate will be shared between the Commonwealth and QLD on 50:50 basis, with compensation to be based on actual costs. 4. The Commonwealth estimates the package of measures under the overall EPRP will lower the wholesale electricity price in Queensland by 30 per cent relative to the AER's original forecast in 2023-2024. The increase in the Default Market Offer retail price in South-East Queensland is estimated to be one-third lower than forecast in 2023-2024.

<p>Estimated financial contributions</p>	<p>5. The Commonwealth will provide an estimated total financial contribution to QLD of up to ██████ million in respect of this Schedule to cover the total cost of rebates in respect of GPS of an estimated \$█████ million.</p> <p>6. This Schedule is expected to expire on 30 June 2025. For the avoidance of doubt, this Schedule covers rebates paid by QLD in respect of GPS over the period 1 January 2023 to the earlier of 30 June 2024 or the point when the funding limit is reached, unless prior additional funding approval is confirmed and estimated financial contributions in this section are updated.</p> <p>Table 1</p> <table border="1"> <thead> <tr> <th>(\$ million)</th> <th>2022-2023</th> <th>2023-2024</th> <th>2024-2025</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Payment to QLD</td> <td>████</td> <td>████</td> <td>████</td> <td>████</td> </tr> </tbody> </table> <p>Note: It has been agreed with QLD for all of compensation to be made after 30 June 2024 based on actual costs with a final reconciliation of costs to be made in the first three months of 2025.</p>	(\$ million)	2022-2023	2023-2024	2024-2025	Total	Payment to QLD	████	████	████	████
(\$ million)	2022-2023	2023-2024	2024-2025	Total							
Payment to QLD	████	████	████	████							
<p>Background</p>	<p>7. QLD has issued a Direction under the <i>Electricity Act 1994</i> (QLD) to CS Energy in relation to GPS to ensure that until 30 June 2024, the bidding of GPS into the National Electricity Market (NEM) wholesale electricity market reflects CS Energy bidding consistent with a coal input cost not exceeding AUD\$125/tonne.</p> <p>8. The parties agree that at the time of signing this Schedule, QLD has provided the Commonwealth with the documents required at Milestone 1 at Table 2 of this Schedule.</p> <p>9. CS Energy has trading rights for electricity produced by GPS into the National Electricity Market (NEM).</p>										
<p>Additional Terms</p>	<p>Monthly payments by QLD to CS Energy</p> <p>10. On a monthly basis, QLD will reimburse CS Energy for:</p> <p>(a) the actual cost of CS Energy’s payments to GPS participants under the Coal Price Adjustment Deed (CPAD) for the cost of thermal coal burned within the month, to the extent the cost of that coal is above AUD\$125/tonne, plus;</p> <p>(b) a payment to CS Energy for the value of the CS Energy stockpile at GPS to the extent the value is above the AUD\$125/tonne price cap, with monthly payments indicatively around 1/18th of that valuation.</p> <p>In this Schedule, any reference to ‘rebate(s)’ means the sum of payments made under (a) and (b).</p> <p>11. Payment by QLD to CS Energy will be made on a monthly basis on verification of costs by QLD. The total amount of these payments will not exceed \$905.958 million (or an amount as otherwise amended by</p>										

Clause 6) over the term of this Schedule.

12. QLD will seek that all monthly rebate claims are made, verified and paid in a timely manner in accordance with process prescribed in the document titled "Process for payments of compensation by QLD" at Appendix B. QLD must seek approval of the Commonwealth before making any variations to this document, and the Commonwealth must not withhold its approval acting reasonably.

Reporting and Documents

13. QLD will provide the Commonwealth with the Reports and Documents as detailed at Appendix A as soon as reasonably practicable.

Annual adjustment to reflect actual costs

14. At the end of each calendar year, commencing 01 January 2023, QLD will make any necessary adjustment payment to CS Energy to reflect actual costs with respect for amounts of coal burned by GPS that year. This adjustment will reflect the value of burned thermal coal purchased above the \$125/tonne cap, including the amount burned from the existing CS Energy stockpile. The adjustment will be based on a submission to QLD by CS Energy of actual costs of coal burned at GPS.
15. QLD will ensure that GPS participants engage an independent auditor to conduct an assurance process on a quarterly basis to validate payments made by QLD in the previous quarter, with all information made available to QLD and the Commonwealth. The cost of the independent auditor will be fully funded by the GPS participants.

Bidding behaviour by CS Energy

16. QLD has issued a Direction under the *Electricity Act 1994* (QLD) to CS Energy in relation to GPS to ensure that until 30 June 2024 or the point when the funding limit in Clause 5 is reached, the bidding of GPS into the NEM wholesale electricity market reflects CS Energy bidding consistent with a coal input cost not exceeding AUD\$125/tonne.
17. The Commonwealth will perform an internal assessment as to whether this condition has been satisfied on a periodic basis, incorporating advice provided by QLD.
18. For the avoidance of doubt, when making decisions about the price bands that capacity is offered, coal cost is one of a number of factors for consideration. As a result, this does not require any cap to be set on individual bids and CS Energy will otherwise continue to operate in accordance with market conditions.

19. If the Commonwealth assesses that requirements on bidding behaviour have not been satisfied in accordance with Clause 16, the Commonwealth and QLD will jointly review the Commonwealth's internal assessment and consider next steps, which may include QLD seeking advice from CS Energy in respect of relevant directions issued by QLD in relation to GPS. For the avoidance of doubt, milestone payments will still be made in accordance with Table 2.

Review

20. A review of this agreement is to be conducted by the Commonwealth and QLD at the end of the Schedule, with the terms of reference as agreed between the parties. The review will assess whether the measures contained in the Schedule achieved the intended policy goals of either Governments, including those specified under the heading "Purpose" in this Schedule.

Table 2: Performance requirements, reporting and payment summary

Performance milestones	Report due	Payment
<p>Milestone 1</p> <p>QLD will provide to the Commonwealth:</p> <ul style="list-style-type: none"> Any direction in force under the <i>Electricity Act 1994</i> (QLD) or other relevant legislation made to CS Energy with respect to GPS in relation to National Electricity Market (NEM) bidding. The deed titled "Coal Price Adjustment Deed" (CPAD) made between GPS Participants and CS Energy. 	On signing	N/A
<p>Milestone 2</p> <p>QLD will provide an interim report with an aggregate value of all monthly rebate payments made by QLD in respect of the period from 01 January 2023 to 30 June 2024, based on actual costs.</p> <p>On receipt of the report above and the Commonwealth being satisfied the actual costs have been verified, the Commonwealth will reimburse QLD for 50 per cent of the aggregate figure. Payment will be made as soon as practicable following verification of the report.</p>	31 August 2024	50% of the actual costs of rebates paid by QLD to CS Energy and GPS Participants, up to ██████ million
<p>Milestone 3</p> <p>QLD will provide a final report with an adjusted figure for the aggregate value of all monthly rebate payments made by QLD in respect of the period from 01 January 2023 to 30 June 2024, based on actual costs. This report should:</p> <ul style="list-style-type: none"> reflect the accounting methodology of CS Energy and GPS Participants on a calendar year basis. include the methodology and calculations for how the adjusted figure is determined. <p>On receipt of the report above and the Commonwealth being satisfied the adjusted figure for actual costs has been verified, either the Commonwealth or QLD will make reimbursement in respect of the difference between the adjusted figure less the amount paid in Milestone 2 (a 'true up' payment):</p> <ul style="list-style-type: none"> if the difference is positive, the Commonwealth will reimburse QLD for 50% of the difference; or if the difference is negative, QLD will reimburse the Commonwealth for 50% of the difference. <p>Payment will be made as soon as practicable following verification of the report.</p>	15 March 2025	<p>In respect of the difference between the adjusted figure and the amount paid in Milestone 2:</p> <ul style="list-style-type: none"> if positive, the Commonwealth is to pay QLD 50% of the difference; (or, if the sum of the amount paid at Milestone 2 plus the 50 per cent of the difference exceeds ██████ million, then the amount to be paid will be ██████ million less the Milestone 2 payment, unless additional funding approval has been obtained as per Clause 6 of the Schedule); or if negative, QLD to pay the Commonwealth 50% of the difference (also subject to Clause 6 of this Schedule).

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The Parties have confirmed their commitment to this schedule as follows:

**Signed for and on behalf of the Commonwealth
of Australia by**



The Honourable Chris Bowen MP
Minister for Climate Change and Energy

[Day] [Month] [Year]

21 May 2024

**Signed for and on behalf of the
State of Queensland by**



The Honourable Cameron Dick MP
Deputy Premier, Treasurer and Minister for Trade
and Investment

[Day] [Month] [Year]

27 July 2024

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Appendix A

Pursuant to Clause 13 of this Schedule, QLD will provide:

(a) Documents

- (i) Any variations to the Coal Price Adjustment Deed (CPAD) between GPS Participants and CS Energy and any other relevant new agreements or arrangements affecting GPS participants, CS Energy and other relevant entities;
- (ii) Any changes to Directions, or any new Directions made under the Electricity Act 1994 (QLD), or other relevant legislation;
- (iii) any other measures made under relevant legislation which affect CS Energy or other entities in relation to GPS bidding.

(b) Reports

- (i) All monthly invoices provided by GPS participants to CS Energy, made pursuant to the Coal Price Adjustment Deed (CPAD);
- (ii) All monthly invoices provided by CS Energy to QLD, for payments made to GPS participants by CS Energy;
- (iii) All monthly payment receipts for payments made by QLD to CS Energy.

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Appendix B

Process for payments of compensation by QLD

Purpose

This Appendix outlines the process for payments of compensation in relation to Gladstone Power Station (GPS) as it applies to:

- Australian Government (Department of Climate Change, Energy, Environment and Water – DCCEEW)
- Queensland Government (Queensland Treasury – QT)
- CS Energy Limited (CSE)
- Joint venture owners of GPS (GPS Participants).

1. Timeline

Compensation liabilities endure for the term of the direction to CSE in respect of GPS (i.e., 1 January 2023 to 30 June 2024, unless the relevant direction is revoked earlier).

GPS Invoice Date	<ul style="list-style-type: none">• GPS Participants to invoice CSE for payment of coal procurement costs exceeding \$125 per tonne, as consumed by GPS in Month $t-1$
CSE Invoice Date	<ul style="list-style-type: none">• CSE to invoice QT for payments to GPS Participants and for 1/18th of CSE's coal stockpile as at 31 December 2022 (where coal purchase costs exceed \$125 per tonne)
Before QT payment of CSE invoice	<ul style="list-style-type: none">• QT to review source documentation provided by CSE (and originating from GPS Participants) including calculation methodology and completeness of information provided• QT to provide DCCEEW with source documentation provided as well as QT analysis of documentation (draft)• Acting reasonably with respect to timeframes, DCCEEW will complete a review of QT analysis of documentation (draft) ahead of the payment to CSE.
At QT payment of CSE invoice	<ul style="list-style-type: none">• Payment by QT to CSE.
On or after QT payment of CSE invoice	<ul style="list-style-type: none">• Payment by CSE to GPS Participants.• QT to notify DCCEEW of payments made on behalf of QLD• QT to provide DCCEEW with source documentation provided as well as QT analysis of documentation (final)
Quarterly	<ul style="list-style-type: none">• EY (engaged by GPS Participants) to undertake assurance process associated with payments made in the prior calendar quarter• QT to provide DCCEEW with the assurance report undertaken by EY.
Annually	<ul style="list-style-type: none">• In early calendar year 2024 and 2025, CSE and GPS Participants undertake annual reconciliation of payments made, with a true-up of payments between parties. 2024

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	<p>reconciliation is in respect of 2023 payments and 2025 reconciliation in respect of 2024 payments.</p> <ul style="list-style-type: none">• This may result in additional payments between CS Energy and QLD. Any potential associated flow on to the Commonwealth will be undertaken through the true-up process with QLD outlined in Table 2 of the FFA.
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2. Payments

Coal Price Adjustment Deed

- Under the Coal Price Adjustment Deed, CSE to pay GPS Participants monthly costs of coal procurement where the cost exceeds \$125 per tonne.

CS Energy stockpile

- Reimbursement to CSE for coal stockpile costs incurred in the second half of 2022 for coal to be burned at GPS, where the cost exceeds \$125 per tonne.

3. Methodology

- GJs used in the generation for the month at GPS multiplied by the difference between the actual cost per GJ and the Coal Cap cost per GJ (being ~\$125/23.012 GJ). The formula is as follows:
$$((\text{Actual Cost} / \text{Energy Content of Coal Purchased}) - (\$125/23.012 \text{ GJ})) \times \text{Energy Consumed}.$$
- The calculated cost between the cost of coal procured by CS Energy for use at GPS at 31 December 2022 and the Coal Price Cap on an estimated 18th basis.
- QLD reimbursement to CSE/GPS on a GST-inclusive basis.
- Commonwealth reimbursement to QLD on a GST-exclusive basis.
- The key data points required are:
 - Coal price procured by GPS Participants
 - Energy used at GPS over the relevant period
 - Confirmation of energy content of coal used
 - CSE stockpile information (volumes and price paid).

4. Source documentation and invoices

Coal Price Adjustment Deed

- GPS Participants responsible for issuing monthly invoices to CSE.
- GPS Participants to provide redacted coal invoices to CSE, with CSE to forward to QT.
- Redacted invoices to include sufficient information to calculate 'delta' of coal purchase price exceeding the \$125/tonne cap, noting the basis of calculations is GJ rather than tonnage (i.e. \$125/tonne cap on 5,500 kcal/kg coal ~ \$5.43 per GJ).
- Assurance of coal energy content also to be provided to confirm quality matches payments made (e.g., lab reports).
- Rio Tinto advises coal price agreements (as the basis of coal prices paid) will not be released given concerns around commerciality and competition (CSE is

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a direct competitor in terms of coal purchases), including in circumstances where CSE is not included in the flow chain of information to QT.

CS Energy stockpile

- CSE have provided QT redacted invoices and a reconciliation of its remaining coal stockpile as at 31 December 2022, calculating an excess cost of \$113,893,457.
- Invoices have been provided to DCCEEW.

5. Process

