

Support for Victorian Renewable Energy Zone Development Plan Stage 1 Projects

FEDERATION FUNDING AGREEMENT – ENVIRONMENT

Table 1: Formalities and operation of schedule							
Parties	Commonwealth of Australia (Commonwealth) State of Victoria						
Duration	This Schedule is expected to expire on 30 June 2027.						
Purpose	<p>This Schedule will support the Australian Government’s commitment to providing reliable, secure and affordable energy to all Australians through the delivery of the Victorian Renewable Energy Zone Development Plan – Stage 1 (VIC RDP Stage 1).</p> <p>The Victorian Government has worked with the Australian Energy Market Operator (AEMO) to identify potential network investments that support more timely and efficient development of renewable energy zones (REZ) to enable 2.3 GW of renewable energy generation capacity in Victorian REZs by July 2026.</p> <p>Appendix A details the selection of VIC RDP Stage 1 projects that will be jointly funded by the Commonwealth and Victoria.</p>						
Estimated financial contributions	The Commonwealth will provide an estimated total financial contribution to Victoria of \$101.0m in respect of this Schedule.						
	Table 1						
	(\$ million)	2025-26	2026-27	2027-28	2028-29	2029-30	Total
	Estimated total budget	96.6	4.4	0.0	0.0	0.0	101.0
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Additional Terms	<ol style="list-style-type: none"> 1. The Commonwealth will contribute 25% of total project costs of the VIC RDP Stage 1 projects, up to a maximum contribution of \$101 million. 2. Victoria will contribute the remaining project costs. 3. The Commonwealth contribution commitment is contingent on the following: <ol style="list-style-type: none"> a. The Commonwealth and Victoria agree to governance arrangements with structure and process for accountability, control and management of this grant. <ul style="list-style-type: none"> • Victoria will provide quarterly written reporting on the status of the VIC RDP Stage 1 projects outlined in Appendix A at least 3 business days before each quarterly <i>Commonwealth and Victoria Memorandum of Understanding for VNI West and Renewable Energy Zones Working Group</i> (Working Group). • The Working Group will have a standing agenda item to discuss progress on the VIC RDP Stage 1 projects. b. VIC RDP Stage 1 project costs of up to \$101 million being received from the Commonwealth will not be recovered from Victorian electricity customers. c. Victoria providing evidence to the satisfaction of the Commonwealth that Commonwealth and Victorian funds are used only by the relevant entities for works within the agreed project scope (at Appendix A). Relevant entities are limited to: <ul style="list-style-type: none"> • Australian Energy Market Operator (AEMO) Victoria • VicGrid, including in its role as AEMO's successor. 4. The Commonwealth will not make financial contributions to project(s) if: <ol style="list-style-type: none"> a. Victoria fails to provide timely notification of material changes to project costs and project delivery dates; b. Victoria does not secure Commonwealth agreement to material changes to project scope; or c. the contingent conditions for payment stated under clause 3 above have not been satisfied or otherwise complied with.
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Table 2: Performance requirements, reporting and payment summary

Outputs	Performance milestones	Completion	Payment
Completion of Murray River REZ augmentations	<ul style="list-style-type: none"> • Delivery of Murray River REZ augmentations • Report containing: <ul style="list-style-type: none"> ○ Sign-off by a VicGrid authorised representative verifying that the augmentations are complete and that Victoria is contractually committed to making payments to AEMO. ○ AEMO/engineers report confirming completion of Murray River REZ augmentations project 	31/12/2025	\$3,419,587
Completion of South West REZ augmentations	<ul style="list-style-type: none"> • Delivery of South West REZ augmentations • Report containing: <ul style="list-style-type: none"> ○ Sign-off by a VicGrid authorised representative verifying that the augmentations are complete and that Victoria is contractually committed to making payments to AEMO. ○ AEMO/engineers report confirming completion of South West REZ augmentations project ○ 	31/07/2026	\$4,422,992
Completion of Murray River REZ non-network services project (<ul style="list-style-type: none"> • Delivery of Murray River REZ non-network services project • Report containing: <ul style="list-style-type: none"> ○ Sign-off by a VicGrid authorised representative verifying that the project is complete and that Victoria is contractually committed to making payments to AEMO. ○ AEMO/engineers report confirming completion of Koorangie Energy Storage System project 	31/07/2025	\$25,965,675
Completion of Western Victoria non-network service project	<ul style="list-style-type: none"> • Delivery of Western Victoria non-network service project • Report containing: <ul style="list-style-type: none"> ○ Sign-off by a VicGrid authorised representative verifying that the project is complete and that Victoria is contractually committed to making payments to AEMO. ○ AEMO/engineers report confirming completion of Western Victoria non- 	28/02/2026	\$67,191,746

	network service project		
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Appendix A: VIC Renewable Energy Zone Development Plan – Stage 1 Projects			
Program	Included projects	Additional capacity unlocked	Indicative Timing
Murray River REZ augmentations	Red Cliffs Terminal Station-Kiamal Terminal Station - Murrawarra Terminal Station – Horsham Terminal Station – Bulgana Terminal Station thermal loading control scheme	Average time of day increase in renewable energy generation 112 MW	December 2025
	Red Cliffs Terminal Station – Kiamal Terminal Station – Murrawarra Terminal Station – Horsham Terminal Station – Bulgana Terminal Station MurrayLink runback control scheme for MurrayLink import		
	Ararat Terminal Station, Waubra Terminal Station, Ballarat Terminal Station, Bulgana Terminal Station and possibly Kiamal Terminal Station station interplant upgrades		
South West REZ augmentations	Ballarat Terminal Station – Terang Terminal Station – Moorabool Terminal Station thermal loading control scheme	Average time of day increase in renewable generation of up to 81 MW	July 2026
	Heywood Terminal Station – Moorabool Terminal Station uprating (substation / auxiliary upgrade and dynamic line rating		
	Sydenham Terminal Station – Keilor Terminal Station line uprating (station upgrade)		
	Moorabool Terminal Station 220 kV transformer (station upgrade)		
Murray River REZ	A non-network service provided with respect to the Bendigo Terminal Station-	300 MW of	July 2025

non-network service	Kerang Terminal Station-Wemen Terminal Station -Red Cliffs Terminal Station-Kiamal Terminal Station segment of the declared transmission system.	additional generation capacity	
Western Victoria REZ non-network service	A non-network service provided to AEMO for or with respect to the Ballarat Terminal Station-Waubra Terminal Station-Ararat Terminal Station-Crowlands Terminal Station-Horsham Terminal Station-Murrawarra Terminal Station segment of the declared transmission	600 MW of additional generation capacity	February 2026

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

1 August 2025

[Day] [Month] [Year]

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

The Honourable Lily D'Ambrosio MP
Minister for Energy and Resources

[Day] [Month] [Year]

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The Honourable Chris Bowen MP
Minister for Climate Change and Energy

The Honourable Lily D'Ambrosio MP
Minister for Energy and Resources

[Day] [Month] [Year]

15 July 2025
[Day] [Month] [Year]