

Department of Climate Change, Energy, the Environment and Water

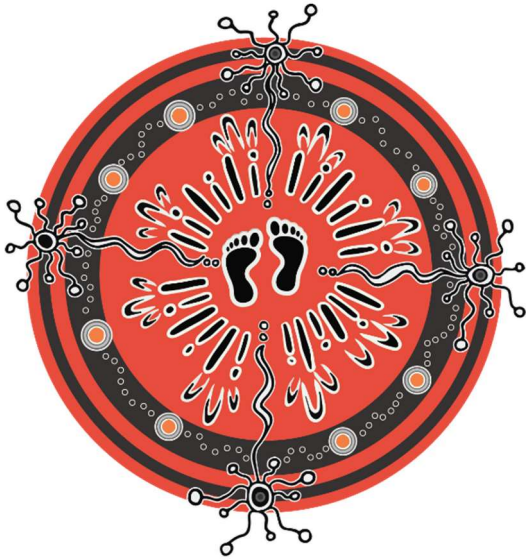
NSW Renewable Energy Sector Board

The Board's approach to increasing local
content requirements over time

July 2024



Acknowledgement of Country



People and Community symbol.

The Department of Climate Change, Energy the Environment and Water and Renewable Energy Sector Board acknowledge the traditional custodians of the land and pay respect to Elders past, present and future.

We recognise Australian Aboriginal and Torres Strait Islander peoples' unique cultural and spiritual relationships to place and their rich contribution to society.

Artist and designer Nikita Ridgeway from Aboriginal design agency – Boss Lady Creative Designs, created the

NSW Renewable Energy Sector Board

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Executive summary

Investments in developing local supply chains to support delivery of the energy transition are hindered by a causality dilemma, whereby:

- without a clear signal to invest, local supply chains will not develop and expand; and
- without a clear incentive to change, renewable energy developers will continue using their existing supply chains.

The proposed approach to address this problem is to increase local content requirements over time, as recommended in our plan. This will provide greater certainty to local suppliers of future demand, enabling them to invest in new or expanded local facilities.

This approach sets out a process that enables us to consider projects when recommending future increases to the local content requirements with the aim of:

- linking future increases to local content requirements with investment decisions; and
- considering risks to manufacturers and developers as well as to NSW electricity consumers.

The process is designed to:

- be resource efficient;
- be open and transparent to ensure market engagement and a high standard of probity;
- assess value for money and compare multiple proposals; and
- enable and support prepared and objective decision making.

We will work with NSW Government agencies to raise awareness of the opportunities provided by the energy transition and broaden the range of local suppliers.

The process will assess whether proposals are cost-effective, protect the financial interests of electricity customers and are consistent with Australia's international trade obligations.

The process will comprise two stages with key activities as follows:

Stage	Key Activities	Outcomes
1. Preliminary assessment	<p>The first stage allows proponents to submit a short, high-level proposal outlining key elements of their project (for investment in new or expanded manufacturing facilities) for consideration by the Board, along with the specific increase to a minimum local content requirement being requested.</p> <p>Proponents not invited to submit a detailed proposal at this stage will be given feedback on the information gaps in the proposal and how these could be filled. Proponents will have the opportunity to re-submit the Stage 1 proposal.</p>	<p>Yes/No decision on whether to progress to stage 2. Feedback is provided to all proponents.</p>

	In some cases, the Board may waive the requirement for a Stage 1 proposal (e.g. if the proponent already has a well-developed business case for the project).	
2. Detailed assessment	<p>The second stage requires a thorough, detailed project proposal that clearly outlines how the project addresses all assessment criteria.</p> <p>The Board will consider Stage 2 proposals prior to making a final determination on whether to recommend an increase in the local content requirements.</p>	<p>Yes/No decision on whether to increase minimum requirement(s).</p> <p>Decision on how much (%), when (year, quarter).</p> <p>Agreed reporting on project milestones.</p>

Following this, the Board updates and publishes its plan subject to the Regulator’s recommendation and Ministerial approval. The increase in local content requirements comes into effect on the day the plan is published and conditional on investment being made for implementation.

1 Introduction

The NSW Electricity Infrastructure Roadmap (the Roadmap) provides local workers and industries with a once-in-a-generation opportunity to participate in the energy transition.

To realise these opportunities the NSW Renewable Energy Sector Board (the Board) has prepared a plan for the NSW renewable energy sector. Through our plan and advice to the Minister, AEMO Services as the NSW Consumer Trustee, and the Energy Corporation of NSW (EnergyCo), we are helping to set Australia's renewable energy industry on solid foundations in a way that:

- supports the growth and competitiveness of the industry
- ensures the benefits of renewable energy projects are shared with workers, their families and communities.

1.1 Our vision and plan for the renewable energy sector

Our plan was published in September 2022, setting out ways to maximise the opportunities from the Roadmap and minimise adverse impacts for regions, communities and workers (OECC 2022).

To help local workers and industries take advantage of the opportunities presented by the Roadmap, our plan recommended that projects under the Roadmap include minimum requirements and stretch goals for the use of local inputs.¹ These cover goods, services and other inputs for the construction and operation of Roadmap infrastructure.

In our plan, 'local content' relates to materials, equipment, components and services produced in Australia and New Zealand. In the context of First Nations participation requirements, 'local' relates to Australia only.

Our plan also gives specific consideration to how to foster opportunities for trainees and apprentices, as well as groups such as women, young people and First Nations peoples, who are underrepresented in the sector.

AEMO Services has implemented our recommendations in the generation, storage and firming tenders under the Roadmap.

EnergyCo as the Infrastructure Planner has incorporated our advice in the:

- tender for a Central-West Orana Renewable Energy Zone (CWO REZ) network operator
- procurement of System Integrity Protection Scheme (SIPS) services to support the Waratah Super Battery project.

Roadmap contracts awarded via AEMO Services tenders will source \$3.5 billion from local supply chains, or around 40% of the \$8.5 billion in total project contract value (TPCV) awarded to date.

¹ AEMO Services when implementing our plan adopted the concept 'baseline requirements'. For consistency with our plan, we refer to minimum requirements throughout this document; however, baseline requirements and minimum requirements are equivalent.

Box 1. The Electricity Infrastructure Roadmap and the Renewable Energy Sector Board

The Roadmap is the state's 20-year plan to transform our electricity system into one that is more affordable, clean and reliable. It will drive the delivery of at least 12 gigawatts (GW) of new renewable energy capacity and 2 GW of long-duration storage. The Roadmap is enabled by the *Electricity Infrastructure Investment Act 2020* (the Act).

The Renewable Energy Sector Board

The former Minister for Energy established the NSW Renewable Energy Sector Board in February 2021, as required under the Act. Our members include representatives from unions, the steel, electricity and manufacturing sectors, the renewable energy industry and electricity customers.

The Act requires us to prepare and provide to the Minister a plan for the NSW renewable energy sector, including the operation of the sector and the manufacture and construction of infrastructure in the sector.

Our vision

Our vision is to make sure our local workers, communities and industries reap the economic benefits of the transition to cheap, reliable and clean electricity.

Our plan sets out how to do this in ways that are cost-effective for all electricity consumers, drive sustainable growth and competitiveness of our industry, and provide quality jobs for new and existing workers in New South Wales.

Our plan and how it takes effect

As required under the Act, our plan sets out how to cost-effectively achieve the following objectives:

- maximise the use of locally produced and supplied goods and services
- maximise employment of suitable qualified local workers
- foster opportunities for apprentices and trainees.

In preparing the plan, we also ensured it protects the financial interests of electricity customers and is consistent with Australia's trade obligations.

Following consideration by the regulator, the Independent Pricing and Regulatory Tribunal (IPART), the Minister approved the plan. It was published in September 2022. The Minister and the NSW Consumer Trustee must now take our plan into account when exercising their functions under the Act.

The plan provides guidance to the Consumer Trustee and EnergyCo on how to maximise the use of local content and workers in generation, storage and network infrastructure projects under the Roadmap. Our recommendations also apply to the allocation of renewable energy zone (REZ) access rights.

The Act requires us to monitor and review our plan and make recommendations to the Minister about its implementation. The Electricity Infrastructure Investment Regulation 2021 also requires us to review our plan at least once every 2 years after it has been approved by the Minister.

Our advice to the NSW Government

The plan also sets out our broader advice to the NSW Government on actions needed to drive sustainable growth and competitiveness of our local industries and realise the benefits for local workers and communities presented by the Roadmap.

These recommendations are categorised under the following themes:

1. Long-term planning for local content, jobs and skills

2. Supply chain development

3. Skills and training.

The NSW Government supported, or supported in principle, all 15 of our recommendations.

1.2 Purpose of this document

This document sets out the process we have developed to increase local content requirements over time. Independently of this process, we may also use information from other sources, including local content outcomes in future Roadmap tenders, when recommending increases to the local content requirements.

In line with the NSW Government's priorities and the former Minister's request, we are also:

- completing a review of our plan, based on the local content outcomes of the first Roadmap tenders
- preparing an addendum to our plan, providing clarifications to AEMO Services on its implementation.

Since the publication of our plan in September 2022, there have been significant developments in the energy markets both in Australia and overseas. Governments across the world, including the United States (the US), the European Union and certain countries in Asia, have announced stronger climate ambition with increased investment into clean energy development and supply.

Australia and New South Wales have also seen increased investor and government interest in accelerating and de-risking the energy transition through local manufacture of renewable energy components.

At the same time, the NSW Government has made clear its commitment to rebuild domestic manufacturing. It will do this by increasing tender weightings in government procurement to 30%, securing local content, job creation, small business, and ethical supply chains. The NSW Government will also set up a NSW Jobs First Commission to support NSW manufacturers (Minns 2023).

In February 2024, the NSW Government launched the Net Zero Manufacturing Initiative, including a \$150 million stream for renewable manufacturing. The Initiative aims to grow NSW supply chain capacity and capability for the renewable energy sector, improve supply chain resiliency and drive economic growth in New South Wales.

The Australian Government announced in March 2024 a \$1 billion investment in the 'Solar Sunshot' program to help boost the country's solar panel manufacturing capacity (Prime Minister of Australia, 2024). The program will provide grants and other support for manufacturers to create and expand capacity to produce components and services to the entire supply chain of the solar panel sector.

2 Why is a process to increase local content requirements over time necessary?

There has been recent significant investor and government interest in developing local supply chains to support delivery of the energy transition.² However, realisation of these investments is hindered by the ‘chicken and egg’ problem associated with establishing new manufacturing facilities (see Box 2). In short:

- without a clear signal to invest, the local supply chain will not develop and expand
- in the absence of a clear incentive to change, renewable energy developers will continue using their existing supply chains.

Box 2. The ‘chicken and egg’ problem for increasing local capacity to supply

The minimum requirements set out in our plan comprised goods and services that can (OECC 2022, p. 35):

- only be competitively supplied locally
- already be assembled or manufactured by local small and medium-sized enterprises (SMEs) and First Nations businesses but in the absence of a policy intervention are imported, rather than sourced locally.

Our plan also identified ‘stretch goals’, which consider the level of local content that would be possible if SMEs and First Nations businesses establish new local capacity to produce components where New South Wales can do so competitively.

The stretch goals are intentionally set to represent ambition and future direction over time, and we recognise they may not be delivered in full in the near term (OECC 2022, p. 35).

The ‘chicken and egg’ problem is two-fold. On one hand, local manufacturers have indicated they need certainty of a sustainable market over the longer term, before committing to investments in new capacity (ACIL Allen 2022, p. 75–76).

On the other hand, local content requirements must be realistic and achievable, and based on the capacity of the local market to supply (OECC 2023, p 9). We adopted this as a principle in our plan, as unrealistically high requirements could result in added costs and/or delays to the Roadmap buildout.

Local manufacturers also need to build relationships with renewable energy project developers, engineering, procurement and construction (EPC) contractors and original equipment manufacturers (OEMs)³.

As part of this, local manufacturers will need to demonstrate (ACIL Allen 2022, p. 75–76):

² See sections 3 and 4.2 in the review of our plan.

³ The role of a project developer is to coordinate the interventions of and interactions between all parties involved in the construction and operation of a renewable energy facility, minimising deviations from business cases, construction plans and operational plans. One of these parties is the EPC contractor, which are contractors with specialised skillsets that undertake construction works making sure design specifications are met. The OEM manufactures specialised equipment, sometimes on behalf of third-party brands, that will be supplied to the renewable energy project for its construction phase, operational phase or both.

- sufficient capacity to meet the throughput required, at the required quality
- ability to provide performance guarantees, and support operation and maintenance in the long term
- ability to meet the Australian Energy Market Operator's (AEMO's) technical requirements and design requirements, noting that the design requirements will differ by OEM
- relevant experience in providing similar products.

It takes 12–18 months to establish a new manufacturing capacity in a pre-existing factory, once a final investment decision has been made (ACIL Allen 2022, p. 75–76). The lead-time for greenfield sites is likely to be longer.

Consequently, there is a significant lag from the time a clear signal to invest is provided, to the inclusion of locally manufactured products in projects. The lag will vary by technology, but includes the time needed (ACIL Allen 2022, pp. 75–76, xiii):

- for investors to commit to investing in new local facilities
- to establish new local facilities
- to pre-qualify with OEMs and EPC contractors
- for EPC contractors to tender for a project and incorporate locally manufactured products into renewable energy projects.

One way to address the ‘chicken and egg’ problem is to increase local content requirements on developers, such as those recommended in our plan. This will provide greater certainty to local suppliers of future demand, enabling them to invest in new or expanded local facilities.

Any changes to local content requirements need to be done with care to:

- realistically reflect the local supply chain’s capacity to increase supply, at a given time, and to increase local content requirements in step with supply chain capacity
- protect the interests of NSW electricity customers
- remain consistent with Australia’s international trade obligations.

The interests of NSW electricity customers may be adversely affected if the cost of local products is too high relative to imports. This could be as the result of, for example:

- factors contributing to a higher cost base for local suppliers relative to imports, including:
 - higher cost of inputs such as energy and labour
 - lower economies of scale – based on the current level of production capacity – contributing to a cost disadvantage
- the capital investment required to establish a new facility or expand an existing facility
- the creation of local monopolies
- lower economies of scale leading to higher costs per unit produced
- lack of skills and knowhow leading to inefficient production.

To help solve the ‘chicken and egg’ problem, we have developed a process that will enable us to consider projects to develop the local supply chain when recommending future increases to the local content requirements, in alignment with growing sector capacity. In this way, we aim to:

- link future increases to local content requirements with investment decisions
- consider risks to manufacturers and developers as well as to NSW electricity consumers.

3 How will the process work?

We recognise that the decision to invest in additional production capacity is a significant commitment, both in terms of time and cost. We have developed a 2-stage process for considering proposals to increase local content requirements for Roadmap projects. In this way, we aim to provide local suppliers with an incentive to consider investing in new or expanded facilities with increased confidence. At the same time, we seek to obtain the information that is essential for us to assess proposals and recommend an increase in the relevant local content requirement.

The process is a business case-based approach, where proposals are considered against the assessment criteria in section 3.1, and also whether the proposal is cost-effective, protects the financial interests of electricity customers and is consistent with Australia's international trade obligations.

We will actively work with relevant NSW Government agencies to encourage SMEs to participate in the process. By ensuring widespread awareness of the opportunities provided by the Roadmap, we aim to broaden the range of local suppliers and ensure competition in the local market.

The stages of the process are:

- **Stage 1: Preliminary proposals and bundling** invites proponents to submit a short, high-level proposal for the Board's consideration on an investment in new or expanded manufacturing facilities. At this point, the Board's secretariat will also actively seek proposals from potential proponents. Proposals may be bundled where proposal timelines align and there are potential efficiencies in assessment because they jointly contribute to the same minimum local content requirement. Bundling proposals could also provide a better view of how similar investments will jointly affect a specific market sector.
- **Stage 2: Detailed assessment** allows proponents who are successful in Stage 1 to work with an independent consultant to submit a more detailed project proposal or business case, which will include a cost-benefit analysis consistent with NSW Treasury guidance (NSW Treasury 2023).

In some cases, we may waive the requirement for a Stage 1 proposal. This could happen, for example, if the proponent can already demonstrate a well-developed business case for the project that provides the information required for the detailed assessment against the criteria for Stages 1 and 2 described in Table 2. The discretion to waive the Stage 1 requirement will be made by the us, on advice from the Secretariat.

To facilitate engagement by SMEs, the Board Secretariat will provide expert support where needed to those participants that progress to Stage 2 to undertake the detailed assessment.

Proponents may submit a proposal at any time of the year, however the Board will consider preliminary proposals on a quarterly basis. The Board may consider reducing the frequency to better manage its resources and improve certainty to renewable energy project developers seeking an LTESA.

Error! Reference source not found. Figure 1 summarises the process, and Table 1 provides more detail for each step in the process. Figure 2 shows the indicative timing of the process, comprising two stages and ten steps. The length of time shown is the minimum amount of time for a relatively

straightforward proposal and where proponents need minimal time after Stage 1 to prepare the information for Stage 2.

Process to increase LCR: 2 stages, 10 steps

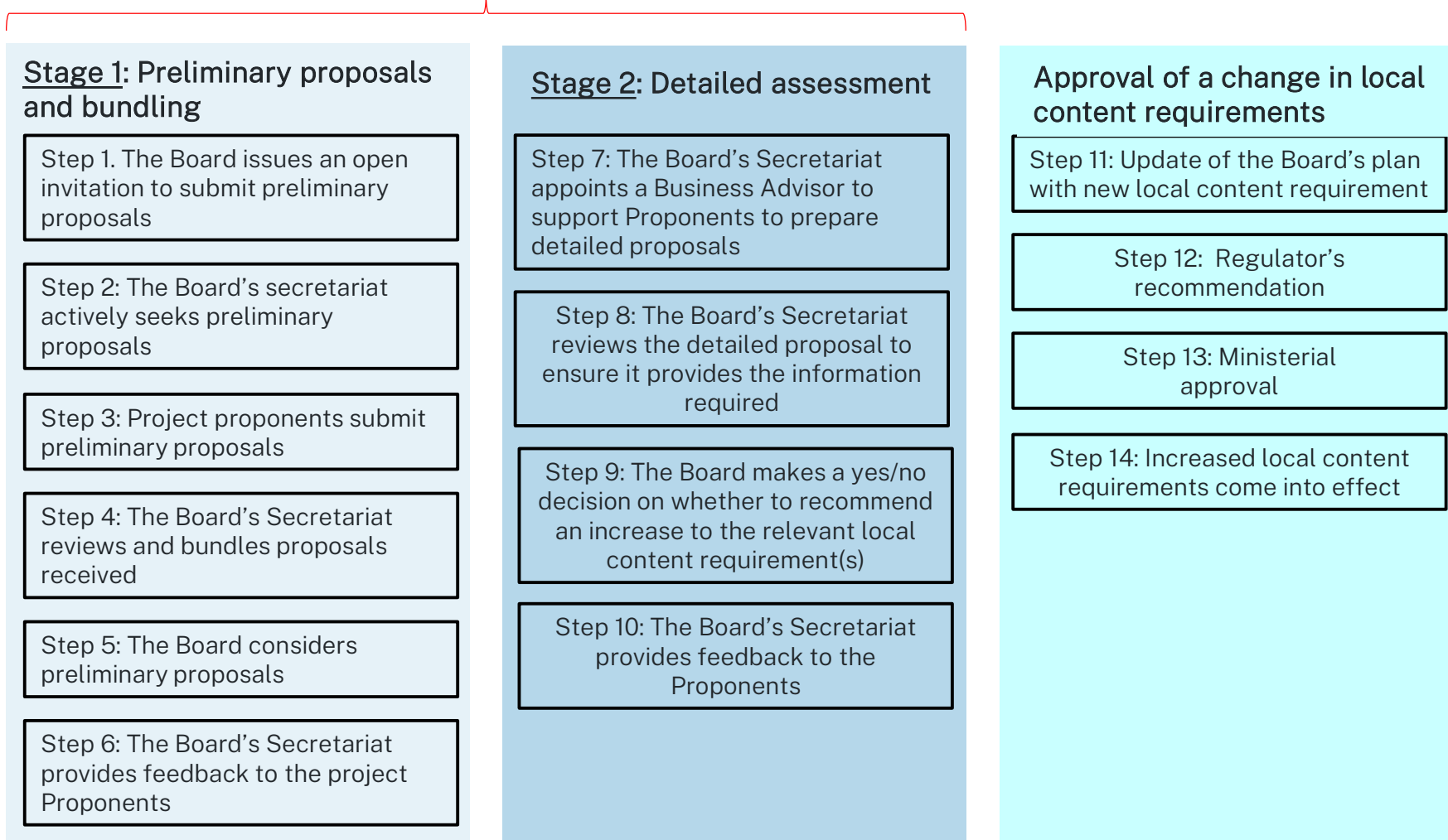


Figure 1: The process to increase local content requirements (including the process for approval of the increase)

Table 1: Overview of the process to increase local content requirements over time

Stage 1: Preliminary proposals and bundling	
Step 1. Board issues an open invitation to submit preliminary proposals	<ul style="list-style-type: none"> The Board publishes guidelines on the process to increase local content requirements over time and issues an open invitation to submit preliminary proposals at any time
Step 2: Board's Secretariat actively seeks preliminary proposals	<ul style="list-style-type: none"> The Board's Secretariat works with NSW Government agencies to actively seek preliminary proposals from potential proponents The timeframe within which preliminary proposals may be submitted will depend on the level of market interest
Step 3. Project Proponents submit preliminary proposals	<ul style="list-style-type: none"> Proponents may submit preliminary proposals at any time
Step 4: The Board's Secretariat reviews eligibility and bundles proposals received	<ul style="list-style-type: none"> The Board's Secretariat: <ul style="list-style-type: none"> reviews the preliminary proposals against set assessment criteria as they are received makes recommendations to the Board as to whether any proposals should be bundled and whether they should progress to Stage 2. Bundling may be recommended where proposal timelines align and there are efficiencies in assessment
Step 5: The Board considers preliminary proposals	<ul style="list-style-type: none"> On a quarterly basis, the Board considers the preliminary proposals received The Board makes a yes/no decision (following the criteria outlines at section 3.1) as to whether to proceed to Stage 2 and decides on advice to proponents on the indicative amount or range for the increase in the relevant LCR if the Board decides at Step 9 in Stage 2 to an increase
Step 6: The Board's Secretariat provides feedback to the project Proponents	<ul style="list-style-type: none"> If the Board's decision is 'yes', the Secretariat will invite the proponent(s) to submit a detailed proposal for Stage 2. The secretariat will advise proponents of the Board's intent to increase the relevant LCR, the indicative amount and intended date of effect for the increase and a target timeline for the Board's deliberations. This advice will state the increase is subject to: <ul style="list-style-type: none"> assessment by the Board in stage 2, including the Board's regard to items listed in Step 9 below

	<ul style="list-style-type: none"> — any other conditions that should be met for the increase to take effect. • If the Board’s decision is ‘no’, the Secretariat will provide feedback to the project proponent(s). The proponent(s) will have the opportunity to re-submit a preliminary proposal for Stage 1 • The intended date of effect will be based on the estimated time for consideration by the regulator and Minister and for publication on the Department’s website. The Board will also consider the conditions that should be met for the increase to take effect such as the timeframe to establish the increased capacity.
Stage 2: Detailed assessment	
<p>Step 7: The Board’s Secretariat appoints a Business Advisor to support Proponents to prepare detailed proposals</p>	<ul style="list-style-type: none"> • If the Board’s decision is ‘yes’, the Secretariat appoints a Business Advisor (independent consultant) to work with Proponents to provide a Stage 2 proposal to address the assessment criteria outlined at 3.1, including a cost–benefit analysis. • The Secretariat will also advise the proponent of a target timeline for the Board’s deliberations • The target duration of this step will be approximately 3–6 months depending on the scale of the investment and complexity of the proposed project • Proponents may choose to prepare detailed proposals without the support of a Business Advisor
<p>Step 8: The Board’s Secretariat reviews the detailed proposal to ensure it provides the information required</p>	<ul style="list-style-type: none"> • The Board’s Secretariat will review the detailed proposal to ensure it is of an appropriate quality before it is provided to the Board for consideration
<p>Step 9: The Board makes a yes/no decision on whether to recommend an increase to the relevant local content requirement(s)</p>	<ul style="list-style-type: none"> • The Board makes a yes/no decision on whether to recommend an increase to the relevant local content requirement(s). This will also include: <ul style="list-style-type: none"> — a decision on the quantity of the increase (%) and when the change can come into effect (year, quarter) — the Board’s requirements in terms of reporting on project milestones • In making its decision the Board will have regard to:

	<ul style="list-style-type: none"> – the assessment criteria (see section 3.1) including cost impacts on consumers over time and consumer willingness to pay and, where relevant, the producer's capacity to meet any technical requirements and quality standards – the sector's capacity for sustainable production in the long term – the distribution of any additional cost to consumers between manufacturing sectors – implications for effective competition. <ul style="list-style-type: none"> • This step will occur quarterly, as required
Step 10: The Board's Secretariat provides feedback to the Proponents	<ul style="list-style-type: none"> • The Secretariat will advise the proponent of the Board's decision • If the Board's decision is 'no', the Secretariat will provide feedback to the project proponent(s). The proponent(s) may have the opportunity to re-submit a more comprehensive proposal for Stage 2
Stage 3: Approval of a change to local content requirements	
Step 11: Update the Board's plan	<ul style="list-style-type: none"> • If the Board's decision to increase the relevant local content requirement(s) is 'yes', the Board updates its plan. This decision is contingent on the Board being satisfied that the increase: <ul style="list-style-type: none"> – protects the financial interests of NSW electricity customers – is consistent with Australia's international trade obligations
Step 12: Regulator's recommendation	<ul style="list-style-type: none"> • The Board's proposed increase to local content requirements is considered by the regulator, IPART
Step 13: Ministerial approval	<ul style="list-style-type: none"> • If IPART recommends that the amendment to the plan be approved, the Minister may approve the amended plan
Step 14: Increased local content requirements come into effect	<ul style="list-style-type: none"> • If the Minister approves the amended plan, it is published on the Department of Climate Change, Energy, the Environment and Water's (DCCEEW) website and comes into effect on the day it is published

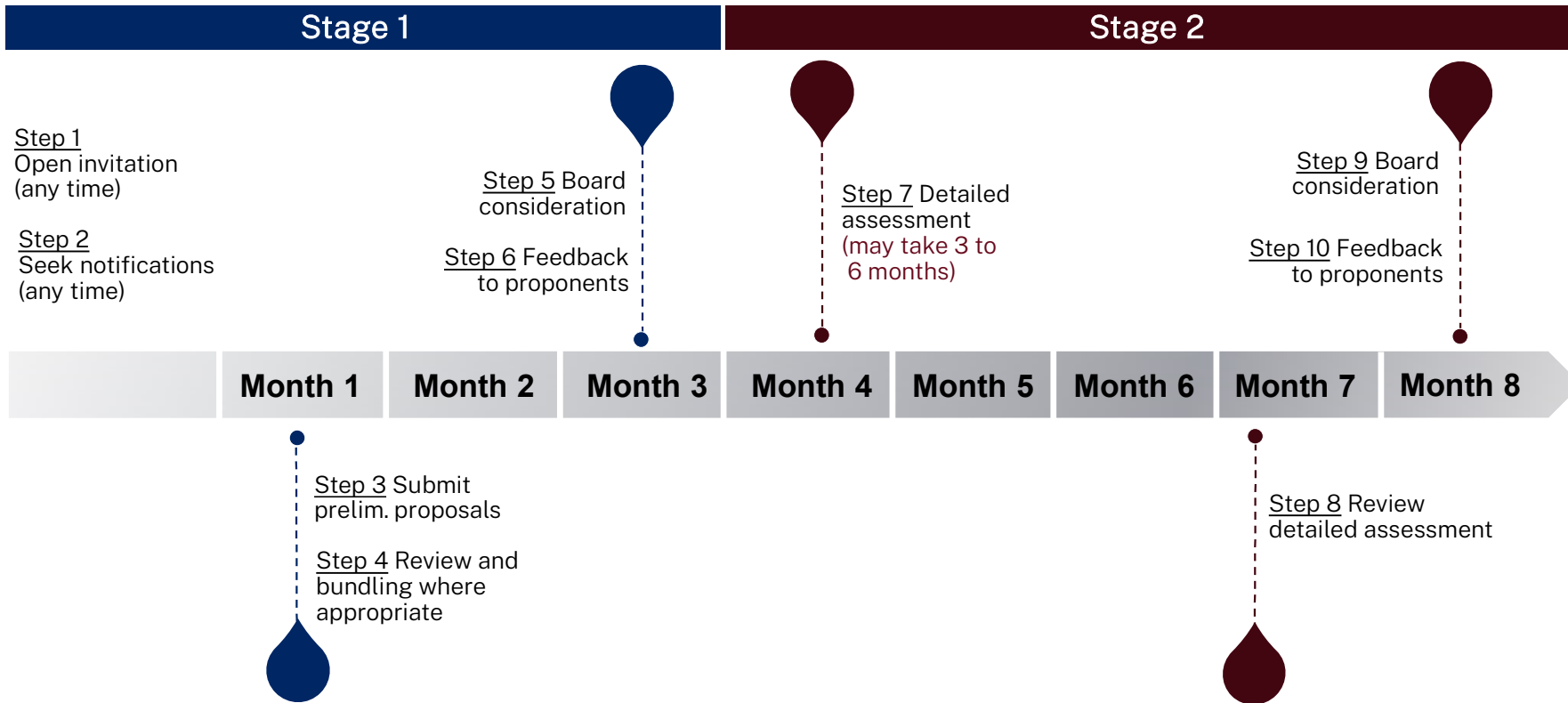


Figure 2: Indicative timing of the stages and steps for the minimum time required, with step 7 taking around 3 months to complete

3.1 Assessment criteria

In line with our obligations under section 8(1) of the Act, we will recommend an increase in the relevant local content requirement if we are satisfied it:

- is cost-effective
- protects the interests of NSW electricity customers
- is consistent with Australia’s international trade obligations.

The Board will also have regard to the following when assessing whether to increase local content requirements:

- the sector's capacity for sustainable production in the long term
- cost impacts on consumers over time and consumer willingness to pay
- the distribution of any additional cost to consumers between manufacturing sectors
- implications for effective competition
- where relevant, the producer's capacity to meet any technical requirements and quality standards.

Table 2 sets out the high-level assessment criteria for Stages 1 and 2 that we will use to ensure these requirements have been met. Each criterion is equally important and the order in which they are shown in the table does not imply precedence or rank. All criteria will be evaluated in Stage 1 of the process, with additional detail required in Stage 2. Consistency with trade obligations is considered in Stage 1 and if not consistent the application cannot proceed to Stage 2.

Ultimately, any complex decision will involve a degree of judgement. The stronger the evidence provided by proponents, the higher the likelihood we will be able to recommend an increase to the relevant local content requirement(s) for consideration by IPART and the Minister.

Table 2: High-level assessment criteria

Criterion	Description	Assessment
Strategic alignment	<ul style="list-style-type: none"> • Alignment with the opportunities identified by the Board, delivery of jobs and broader benefits to New South Wales • Reduction in supply chain risk for the delivery of the Roadmap • Total project contract value <p>Additionally, in Stage 2:</p> <ul style="list-style-type: none"> • Number and nature of jobs created 	<ul style="list-style-type: none"> • Proposals will be considered more favourably in the assessment against this criterion if they align with opportunities identified by the Board and deliver benefits to New South Wales including evidence that jobs and broader benefits are realised by the community

Criterion	Description	Assessment
Deliverability and technical feasibility	<ul style="list-style-type: none"> • Demonstration of technical capability and capacity to deliver <p>Additionally, in Stage 2:</p> <ul style="list-style-type: none"> • Plan to establish or scale up local production • Risk management plan for addressing deliverability and technical risks associated with local manufacture • Where relevant, the producer's track record of adherence and/or certification to industry standards (quality, WH&S etc) 	<ul style="list-style-type: none"> • The assessment against this criterion will be favourable if the local manufacturer demonstrates that it has the technical capability and capacity to deliver the product(s)
Financial and commercial feasibility	<ul style="list-style-type: none"> • Demonstration of financial capability and capacity to deliver • Barriers to local manufacture, what is required to address those barriers, and what has been done to address those barriers • Supply chain feasibility assessment for renewable energy project developers to source the product locally e.g. if the product needs finishing offshore is it still feasible to contract the local content <p>Additionally, in Stage 2:</p> <ul style="list-style-type: none"> • Evidence-based projection of market demand for product, and expected 	<ul style="list-style-type: none"> • The assessment against this criterion will be favourable if the local manufacturer demonstrates that it has the financial capability and capacity to deliver the product(s)

Criterion	Description	Assessment
	supply of product by proponent <ul style="list-style-type: none"> • Risk management plan for addressing financial risks associated with local manufacture 	
Value for money and impact on NSW electricity customers	<ul style="list-style-type: none"> • Indicative increase in local content requirement that would be enabled Additionally, in Stage 2: <ul style="list-style-type: none"> • Increase in local content requirements that would be enabled • Evidence on the cost differential between locally manufactured and imported product, and expected impact on retail electricity prices • Cost-benefit analysis in line with NSW Treasury guidelines 	<ul style="list-style-type: none"> • The assessment against this criterion will be favourable if the impact of an increase in the local content requirements on NSW electricity customers is likely to be within consumers' willingness to pay more for local content
Consistency with trade obligations	<ul style="list-style-type: none"> • Confirmation that the product or component will be manufactured in Australia or New Zealand, by an SME and/or a First Nations business 	<ul style="list-style-type: none"> • The assessment against this criterion will be favourable if the proposal is consistent with trade obligations

3.1.1 Cost-benefit analysis

In line with best practice for government decision-making, business cases should include a cost-benefit analysis prepared in accordance with the *NSW Government guide to cost-benefit analysis* (NSW Treasury 2023).

The cost-benefit analysis captures the incremental costs and benefits to NSW households, businesses, governments or non-government organisations of the proposal to increase local content requirements relative to making no change.

To be supported, the net present value (NPV) should be positive, and the benefit-cost ratio (BCR) greater than 1.

Table 3 sets out the types of costs and benefits that will be considered.

Table 3: Cost-benefit analysis framework

Benefits	Costs	Strategic benefits
<ul style="list-style-type: none"> • Productivity (producer surplus) • Employment (labour surplus) 	<ul style="list-style-type: none"> • Any government grants or funding that are provided explicitly to increase local content requirements in the plan⁴ • The incremental increase in the cost of producing electricity from higher local content requirements • Government costs: staff time, external advice procured 	<ul style="list-style-type: none"> • Number of jobs created • Reduced emissions • Improved supply chain resilience, including reduced delays to renewable energy projects

4 References

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⁴ The cost-benefit analysis does not include government grants or funding that are or will be provided to the proponent irrespective of a change in the local content requirements, as this is not an incremental cost.