

Genex Power signs energy storage deal with EnergyAustralia over Kidston hydro project

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By

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EnergyAustralia will provide new equity leading to a 50:50 joint venture in the K2-Hydro project with Genex Power.

Electricity company Genex Power (ASX: GNX) has partnered with EnergyAustralia on a long-term energy storage services agreement and equity investment for Genex's planned 250-megawatt Kidston pumped storage hydro project.

The project is the second stage of a renewables energy hub being constructed by Genex in far-north Queensland and considered by the state's government to be "critical infrastructure".

When complete, the hub will comprise a 50MW solar farm (known as KS1, which reached practical completion this month), a multi-staged 270MW integrated solar farm (K2-Solar), the 250MW hydro project (K2-Hydro) and a 150MW Stage 3 wind project (K3-Wind).

Long-term agreement

Genex's partnership with EnergyAustralia will see the Australian energy giant negotiate, finalise and execute a long-term agreement for full dispatch and market rights attached to the project.

EnergyAustralia will also propose an equity investment into a newly-incorporated Special Purpose Vehicle to construct, own and operate the project.

Genex has now entered into a period of exclusivity during which EnergyAustralia will complete detailed due diligence activities.

Under the conditions of the term sheet, if a takeover offer for Genex is announced during the exclusivity period, EnergyAustralia may be allowed to extend the period and pay a break fee.

The energy storage agreement is in the early stages and subject to final debt facility and equity documentation, financial arrangements and agreements for grid connection, plus approval from the boards of EnergyAustralia and Genex.

EnergyAustralia owns and operates a multi-billion-dollar energy generation portfolio across Australia, including coal, gas, battery storage, demand response, wind and solar assets.

The company controls over 4500MW of generation in the national electricity market.

Hydro and solar start-up

Genex is seeking to move to financial close on the project in the new year, with the development and financial close of the K2-Solar stage shortly thereafter.

With a shorter development and construction timeline, K2-Hydro and K2-Solar will be ready to commence generating electricity simultaneously in 2022.

Genex is currently in long-term debt financing negotiations with the assistance of the Northern Australia Infrastructure Facility, which provided an indicative long-term concessional amount to Genex in June of up to \$516 million.

"We are looking to close financing of Kidston Stage 2 on a stand-alone basis as we believe this is the most efficient means of reaching the construction stage as soon as possible," said Genex chief executive officer James Harding.

"The solar farm remains a key priority for us, and we will be looking to close this soon after (Kidston Stage 2) as a discrete financing transaction."

Jemalong acquisition

Genex added to its renewables portfolio in September, when it agreed to acquire the advanced 50MW Jemalong solar development near Forbes in the central New South Wales.

The project is currently owned by Vast Solar, which has secured land and development planning approvals and made significant progress towards finalising grid connection works.

The acquisition will be finalised in early 2019 provided Vast meets all conditions of the agreement.

Mr Harding said the acquisition – which was funded by “strong revenues” from KS1 – will complement the company’s Queensland assets.

“We have been able to utilise our cash reserves to diversify our project portfolio into NSW and create a stronger revenue pipeline,” he said.

“Jemalong offers us a good opportunity to create a step change up in revenue and grow our portfolio as we complete development of Stage 2 at Kidston.”

He said Genex’s longer-term strategy is to expand its portfolio of assets and diversify into other regions within the National Electricity Market.

At mid-morning, shares in Genex Power were trading 8.33% higher at \$0.260.

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