

UPDATE: Financial adviser mandated for Kidston solar phase II

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Sponsor Genex Power has mandated Grant Samuel as its financial adviser for the 250MW Pumped Storage Hydro Project and the integrated 270MW Kidston Solar Phase II project in Northern Queensland, Australia.

Grant Samuel is a corporate advisory group serving the Australian, New Zealand and Asia-Pacific market. Harrison Holihan, executive associate at Genex Power, told IJGlobal Genex Power will also work with previous parties on the deal, as it did in the project's first 50MW phase.

Financial close is expected towards the end of 2017. A power purchase agreement (PPA) should be signed in the next few months. The source said that the firm is hoping to lock in a long-term revenue contract which can underpin the financing of the integrated projects.

The projects will be financed under a special purpose vehicle, with the intention of replicating the arrangements of stage 1 (50MW solar), which consisted of project finance debt from commercial banks, potential forms of government funding and third party equity. Standard interest rate hedges and FX hedges are also set to be part of the project finance.

While the sponsor is yet to announce a capex for the projects, a key issue it is expected to face is raising a substantial amount of capital in order to reach financial close. Originally, Genex was going to fund both projects as well as a 275kv transmission line (with a transmission capex of approximately A\$150 million (\$113 million)).

But earlier this week the Queensland Government announced that they will provide A\$150 million toward the funding of a transmission line, which allows Genex to remove this aspect out of the total project requirements.

Feasibility studies have shown that the hydro is technically and commercially viable, with strong interest shown from various banks, government-based entities and retailers for participation in the project, according to Genex.

The sponsor is intending to launch the engineering, procurement and construction tender for the second-phase projects this month.

Both projects will be located in Northern Queensland on the site of the historical Kidston gold mine. The site is located 270km north west of Townsville near the township of Georgetown.

The hydro storage project will consist of an upper and lower reservoir, in addition to an adjacent balancing storage pit. The upper storage reservoir will be created using a 'turkey's nest' type dam, constructed on the waste rock dump to the north of Eldridge Pit. The lower storage reservoir for the project will be the existing Eldridge Pit, according to information on Genex Power's website.

Genex Power signed a long-term, fixed-price, 20-year power purchase agreement with the Queensland government for supply of power generated from the solar farm in September 2016 for Phase I. Financial close for the 50MW project was reached in December 2016.

For Phase I, The Australian Renewable Energy Agency (ARENA) provided debt. Genex Power also secured an initial grant of A\$8.85 million from ARENA and debt finance of A\$54 million from the Clean Energy Finance Corporation.

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