

Renewable Energy Fund

Grants Policies and Procedures

These guidelines set out the policies and procedures for proponents of the Renewable Energy Fund. Intending proponents should read these guidelines and related documents before lodging a proposal. Please note these guidelines may be subject to change. Any such change will be advised on the RenewablesSA website.

1. Introduction

South Australia has proved an attractive location for renewable energy investment. World-class resources, combined with streamlined regulation, has drawn more than 50% of national investment in wind power and 90% of geothermal energy investment to the State.

The State has also performed strongly in distributed energy, having a higher proportion of households with solar panels than any other jurisdiction and being the first State to introduce feed-in laws.

The result is that the State expects to reach its target of having 20% of its energy coming from renewable sources by 2014 ahead of time. The Government has now committed to achieving 33% of electricity generation coming from renewable energy by 2020. Achieving this target will place South Australia amongst the world leaders in attracting renewable energy investment.

The Renewable Energy Fund has been created to assist with meeting the target. The Fund is available to provide support for renewable energy investment in the ways described in the *Policies* section which follows. Consistent with the RenewablesSA initiative, renewable energy will cover direct use of renewable heat and transport fuels in addition to electrical applications, but not energy efficiency measures.

All prospective investors in renewable energy in South Australia are able to put proposals for financial support from the Fund and have these proposals considered in the manner set out in the *Procedures* section of this document.

2. Policies and Eligibility Criteria

The general purpose of the Fund is to attract capital investment into SA's renewable energy sector. Therefore, it is generally expected that the Fund will focus on technologies that have progressed past the initial stage of development. The following eligibility criteria are a reflection of that approach:

2.1. Eligibility Criteria for Projects

The Fund focuses on providing financial assistance in four broad areas:

1. Obtaining and making available information required by potential investors, such as solar, wind and wave/tidal atlases;
2. Generating advice needed to inform new policies, particularly advice on international initiatives and on infrastructure needed to support high levels of renewable energy generation;
3. Direct assistance for key projects in areas such as bid preparation, access to research and development, feasibility studies; and

4. Supporting early development of technologies not covered by the Commonwealth's programs, such as small-scale renewables and use of renewable heat.

2.2. Eligibility Criteria for Proponents

An eligible proponent must:

- Be a body corporate incorporated under a law of the Commonwealth or a State or Territory, or foreign incorporated body registered in Australia
- Be able to demonstrate a history of experience in delivering similar projects, including the proponent's current and future capabilities and capacity to deliver on the project objectives
- Be able to support its proposal with a comprehensive project plan, including proven project methodology and technical details
- Be able to demonstrate financial viability, including the ability to finance project costs not met by the grant
- Be able to commit to allowing the South Australian Government to disseminate information about renewable energy generated from demonstrations and trials

2.3. Public Benefit

In addition to the Project and Proponent eligibility criteria above, there is a need for the proponent to identify the benefits of the project that will flow through to the public of South Australia as a result of the application of public funds.

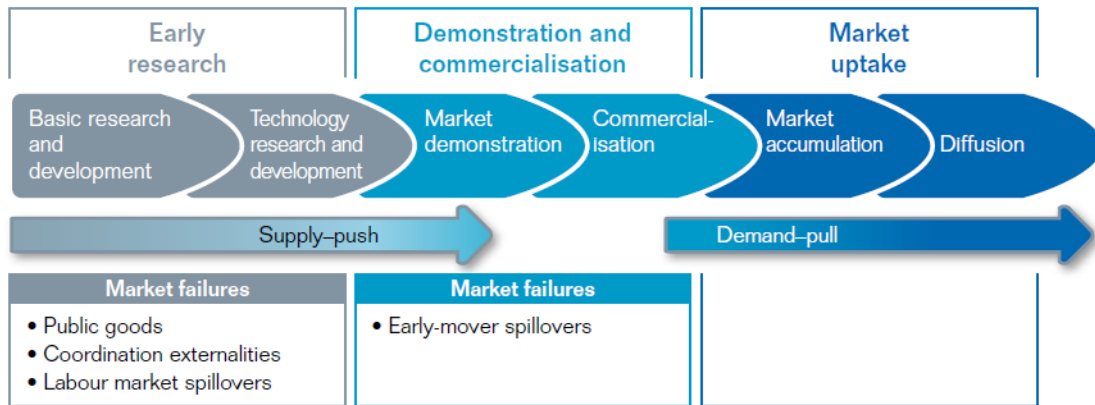
It is expected that Proponents will identify the aspects of the project that provide a public benefit. It is not expected that a quantitative approach is taken to assessing the public benefit.

An important way in which the Fund can be used to generate public benefit is by using grants to address instances of market failure. For example, a bio-energy project may need to bring together a generator and a number of parties to provide feedstock. Acting individually those suppliers may not be able to provide sufficient feedstock to establish a business but a collective approach may be to the advantage of them all. To achieve that, it may be necessary to prepare plans to inform suppliers of that opportunity.

The Fund is open to supporting such projects. RenewablesSA staff can provide further advice in response to specific queries.

2.4. Projects Not Supported

The Fund is generally available to provide financial support for activities which complement the existing Federal and State Government programs rather than add to them. For example, the Fund is not intended to add to the financial assistance provided by Federal funds for large scale demonstration of pre-commercial technologies (i.e. at the market demonstration phase of the innovation chain below).



Source: Fig 18.2 The Garnaut Review, adapted from Grubb (2004)

The Federal Government also provides significant financial support for research and development at the early end of the technology development scale. It is not the purpose of the Fund to supplement this Federal funding. Hence, the Fund is not generally available as a source of financial assistance for research and development projects. There are Commonwealth and other State Government funds dedicated to this purpose.

This is not to say the Fund is not available to support any form of research. Applications may be considered eligible where they clearly contribute directly to the core purpose of the Fund - attracting renewable energy investment to South Australia. For example, grants have been made to establish the Geothermal Research Centre of Excellence at the University of Adelaide, to the University College London and to the University of South Australia for a prototype solar thermal air-conditioner.

In this case, the financial support from the Fund is being applied to assist with the establishment of an organisational arrangement which companies can draw upon and use to assist the economies of their projects. In the ultimate, this can be expected to draw investment to South Australia. In this case, the Fund has been applied to criteria 3 in 2.1 Eligibility for Projects, namely “access to research and development”. Proponents seeking research funds need to establish a strong connection with one or more of these four areas.

To satisfy this test, it is expected that proposals would have existing funding from the private sector to at least a level which matches that sought from the Fund. Applications received for these purposes need to be supported by clear, written commitments of financial support from private investors.

It is also anticipated that the projects would demonstrate a generation capability that could readily be scaled up to commercial quantities and /or of being applied to support that generation e. g. storage

2.5. Project Examples

The following examples provide further guidance as to how financial assistance from the Fund can be applied consistent with these four areas:

- Assistance with preparation of bids by proponents for Commonwealth assistance.
- Assistance with development of business strategies for emerging technologies, e.g., second generation bio-fuels.

- Commissioned research to support the Board’s decision making.
- Support for establishment of an Australian wave energy hub (similar to those established around Europe) to enable fast tracked testing and demonstration of technologies.
- Support for demonstrating technologies to enable integration of increasing levels of intermittent generation into the grid.
- Identification and support for deployment in “novel” niche markets in order to assist in accelerating cost reduction of renewable technologies (remote grid, avoided network augmentation, direct heat, cogeneration, mini-grid).
- Trialling small-scale renewable technologies, particularly their operation in built environments eg solar air-conditioning, micro wind turbines, and space heating.
- Demonstration of direct use of renewable heat (from solar collectors/geothermal) – not currently eligible for the RET.
 - Process/industrial Heat
 - Space Heating
 - Solar Air conditioning
- Development of an SA renewable energy atlas, taking into account important factors for location, including resource mapping, access to transmission etc.
- Development of a business case for additional interconnection, and potentially other transmission infrastructure.
- Promoting South Australia as a location of choice in international renewable energy markets.
- Development of downstream investment and job creation opportunities.

3. Procedures

3.1. RenewablesSA Board

The role of the RenewablesSA Board is to oversee the operation of the Fund and make recommendations to the Premier on disbursements from it. The RenewablesSA Board is supported by the Renewable Energy Commissioner.

The Board recognises that the renewable energy industry is evolving rapidly internationally and that this evaluation is being accelerated in Australia as a result of policy settings, particularly the Renewable Energy Target.

It is also recognised that the Renewable Energy Fund is due to expire at the end of December 2011.

Against this background, the Board considers it imperative that the Fund be administered in a way which allows the Government to respond to opportunities as they arise and to deal with them expeditiously.

Accordingly, the Board does not propose to hold regular and formal grant rounds but will consider individual proposals on their merits.

3.2. Application Process

There is no pro-forma provided for proposals. However, proponents are encouraged to prepare submissions in the below format which clearly sets out the impact on renewable energy investment in South Australia from the financial assistance being sought. At a minimum, proposals need to include the following information:

- A description of the proposed scope of works and/or proposed approach
- Establish the public benefit generated from applying public funds to the project , including instances of market failure
- Project timelines and costs
- Proposed progress reporting arrangements with Government
- The level of Government support / involvement sought
- Project outcomes (including outcomes for South Australia)

This information may be expressed in the form of a business plan.

It is expected that proponents will

- Establish the benefits of the proposal for one or more of the four areas listed under 2.1 Eligibility Criteria for Projects
- Be eligible under 2.2 Eligibility Criteria for Proponents
- Demonstrate that alternative funding options sought/considered.

It is anticipated that this description will also establish the need for external funding given that proposals would be expected to lead to a commercial outcome. Proponents will be required to declare if receiving funds from other state or federal sources.

Proposals must be submitted by either email or mail using the details below.

Email: climatechange@dpc.sa.gov.au

Mail: The Renewable Energy Commissioner
RenewablesSA
Level 6, Chesser House
91-97 Grenfell St
ADELAIDE SA 5000

3.3. Level of Funding

In relation to individual proposals, there is no maximum or minimum budget. However, it is expected that the level of detail supplied will be commensurate with the size of the funding being sought.

3.4. Assessment Criteria

Proposals will be assessed competitively on merit based on the following:

- Evaluation against the four areas identified for funding eligibility in *Section 2. Policies*. This will include a ranking against past projects and those currently under consideration where possible.
- Identification and evaluation of the public benefit accruing to South Australians within context of the four areas.
- Evaluation of level of detail of project scope and parameters.

- Assessment of the capacity of grantee to deliver outcomes defined in the proposal within proposed budget and timescales.

3.5. Final Decision

An acknowledgement will be provided for all grant proposals received and an advice on the results of its consideration provided as soon as practicable thereafter.

All proponents will receive written notification of the outcomes. If the Board's decision is to recommend acceptance of the grant proposal, then the Board will recommend to the Premier that the grant be made to the proponent in accordance with the grant proposal. The Premier is not bound by the Board's recommendations, and the Premier's decision whether or not to make the grant and whether or not to enter into a Funding Deed is final.

3.6. Expiry of the Fund

The Fund is due to expire at the end of December 2011. At this stage, proposals will not be considered after 30 September 2011, though the Government reserves the right to extend this date or to close the Fund earlier should all of the budget be expended.

4. Managing the Grant

4.1. Funding Deed

All grantees will be required to enter into a Funding Deed which will apply to the Government's grant management requirements as set out in [Treasurer's Instruction 15 \(TI 15\)](#). The Funding Deed will contain a number of obligations, including with respect to the Funds consistent with the requirements of [TI 15](#), in particular the following:

- All grantees will be required to report regularly on progress and an evaluation will be supplied to the Premier or the Board on his behalf regularly;
- All grantees will need to acquit the full grant in the final report as provided for in the Funding Deed;
- All grantees will be required to repay funds which are not expended by the end of the Grant period; and
- All grantees may be required to repay all or any funds (whether expended or not) if they breach the terms of the Funding Deed.

The Funding Deed is a legal contract between the grantee and the Premier, and includes legal and binding obligations which, once executed, are enforceable against it in accordance with its terms.

Until a Funding Deed is executed, the Premier and the State will not be bound by any of the terms of the Funding Agreement and will not be liable for any expenses incurred by the proponent. No funding will be given until the Deed is executed by the State.

5. Further Information

Queries can be forwarded to the RenewablesSA secretariat: telephone: 08 8226 6576, email: climatechange@dpc.sa.gov.au