

Victorian Neighbourhood Battery Initiative

Application Guidelines



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Photo courtesy of Solar Victoria. Photographer: Joe Vittorio
Neighbourhood Battery Initiative

OFFICIAL-Sensitive



Environment,
Land, Water
and Planning

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Minister's Foreword



Our electricity system is changing for the better. We are working towards a future where a modernised distribution network can support a safe, secure and reliable electricity system in which all energy users benefit from the value of distributed energy resources (DER) such as solar panels, batteries, smart home appliances and electric vehicles, regardless of whether they have access to those resources.

The Victorian Government is actively promoting the uptake of DER as part of our wider strategy to transition to a clean energy future, including through our flagship \$1.3 billion Solar Homes program. New ways of using technologies, like neighbourhood scale batteries can help transition our energy system from one designed for centralised generation and one-way flow of electricity to a decentralised system, which higher levels of DER and greater local energy generation and use.

The 2020-21 Victorian Budget announced investment of an unprecedented \$1.6 billion to deliver household and business energy efficiency initiatives, improve crucial grid infrastructure, decarbonise our energy system, drive down emissions and support more Solar Homes.

This commitment includes significant funds to support neighbourhood scale battery trials in Victoria. Neighbourhood scale batteries are a new energy storage model that can deliver multiple benefits to energy consumers and the electricity system.

The Neighbourhood Battery Initiative will position Victoria at the forefront of demonstrating the role of this technology in our evolving energy system, and how to maximise benefits for all Victorians. The Neighbourhood Battery Initiative also supports Victorian communities' ambitions to implement renewable energy storage projects that deliver social, and economic benefits, and that support the decarbonisation of Victoria's electricity system to tackle climate change.

1 Program overview

The Victorian Government's Neighbourhood Battery Initiative will fund pilots and demonstrations of a range of neighbourhood scale battery ownership and operational models, to unlock the role that neighbourhood scale batteries can play in Victoria's transitioning electricity system. The initiative is intended to:

- support understanding of the full range of benefits that neighbourhood scale batteries can provide;
- help to overcome barriers to the deployment of neighbourhood scale batteries;
- inform regulatory reform;
- determine which neighbourhood scale battery models provide the most benefits to the Victorian electricity system; and
- support the decarbonisation of Victoria's electricity system to tackle climate change

Neighbourhood scale batteries are a relatively new energy storage model with the potential to provide multiple benefits to consumers, communities and the electricity system. They are considerably larger than household batteries and range in size from approximately 100 kilowatts (kW) to five megawatts (MW). Neighbourhood scale batteries are connected directly to the electricity distribution network ('in front of the meter'). They are sometimes referred to as 'community' or 'grid-scale batteries'.

Neighbourhood scale batteries can 'value stack' different revenue streams to deliver a range of benefits including:

- supporting integration of more solar on the network;
- providing network benefits such as voltage management, and mitigating minimum and/or peak demand;
- providing market services, including wholesale electricity market trading and Frequency Control Ancillary Services (FCAS); and
- providing consumer battery access services, helping to expand the benefits of storage to more energy users.

Different business models are still developing, and they currently face a range of barriers and challenges that must be addressed to support their deployment. The Neighbourhood Battery Initiative is designed to support neighbourhood scale battery proponents to overcome these challenges and deliver trials that will enable the sector to adapt and develop.

These Application Guidelines set out the objectives, assessment criteria and application process for the Neighbourhood Battery Initiative.

2 Objectives

The Neighbourhood Battery Initiative aims to support the delivery of neighbourhood scale battery trial projects in Victoria across various stages of development, from feasibility through to trial implementation.

It will support projects across a range of neighbourhood scale battery ownership and operational models, including those trialling customer battery access services and innovative local energy trading models.

Applicants will need to demonstrate that their project will deliver benefits to energy users and that it will access a range of value streams.

The NBI will provide funding for:

- **Project development** including capacity building for neighbourhood scale battery projects, such as development of feasibility or business cases and technical, regulatory, legal and/or contractual advice to inform project planning and implementation (stream 1); and
- **Implementation** of scoped neighbourhood scale battery trials, including capital funding and other associated implementation costs (stream 2).

3 Who can apply?

Applications are open to a broad range of organisations and can include single entities or a consortium of Participants. However, all Applications, whether single entities or a consortium, must nominate a 'Lead Organisation' to:

- endorse the Application;
- verify any commitment of funds for the Project; and
- be authorised to enter into a Funding Agreement with the State if successful.

The Application must be approved by a duly authorised representative of the Lead Organisation.

Individuals are not eligible to apply as a Lead Organisation under the Program.

The Lead Organisation must:

- have an Australian Business Number;
- be able to demonstrate that either the Lead Organisation or the Lead Organisation's parent company has at least three years operating history; and
- be able to provide three years of financial reports (preferably audited) for the Lead Organisation or the Lead Organisation's parent company.

Matched funding is not required; however, applicants must have secured or have a plan to secure a cash contribution towards the project (minimum of 10%). Applications with higher funding contributions will be viewed favourably.

The Department may request, during the Assessment Process, that unaudited financial reports be audited and resubmitted.

4 What will be funded?

The Neighbourhood Battery Initiative makes available \$3 million for neighbourhood scale battery projects that meet the criteria for either **Stream 1** or **Stream 2**. Once initial program outcomes from Stream 1 and Stream 2 projects have been realised, the Victorian Government will look to invest further in neighbourhood scale battery projects.

4.1 Stream 1: Project development

Funding (of up to \$150,000) will be provided for project(s) that:

- build capacity through developing feasibility studies and business cases for neighbourhood scale battery trial implementation; and/or
- commission technical, regulatory, legal and/or contractual advice or services to support the planning and implementation of a neighbourhood scale battery.

4.2 Stream 2: Implementation-ready projects

Funding (of up to \$800,000) will be provided for project(s) that:

- implement the trial of a neighbourhood scale battery; and
- demonstrate the ability to access multiple value streams.

4.3 Exclusions

Grant funding provided by the Neighbourhood Battery Initiative will not fund:

- projects that have already commenced construction;
- land acquisition;
- storage installed behind the meter;
- routine or ongoing maintenance works, expansion of an existing generation facility;
- generation technologies;
- recurrent operating costs; and
- salaries.

5 How will projects be assessed?

Applications will be assessed, according to the relevant stream, against the criteria detailed below. Applications should address all relevant criteria and provide supporting documents set out in section 5.4.

Information contained in the applications may be shared with other State or Commonwealth Government agencies to seek clarification on an application or applicants.

The department will review applications for completeness and to check that they meet the eligibility requirements. Applications that do not meet the eligibility requirements will not be considered further in the assessment process. All eligible applications will be assessed on merit against the assessment criteria.

5.1 Eligibility requirements (both streams)

Projects proposed across both streams must fulfill the following minimum eligibility criteria:

- Neighbourhood scale battery project must be located in Victoria

- The Applicant must be an eligible organisation in accordance with the requirements outlined in Section 3.
- The project must relate to a storage device connected in-front-of-the-meter to the electricity distribution network. Behind-the-meter storage projects are not eligible.
- Willing to participate in research and information sharing.

5.2 Stream 1: Capacity Building

5.2.1 Assessment criteria for Stream 1

Assessment criteria	Requirements
Criterion 1 – Why should this project be funded?	<p>Applications will be required to:</p> <ul style="list-style-type: none"> • describe the problem or opportunity that this project is addressing; and • demonstrate the extent to which the funds will be used to overcome barriers to the implementation of a neighbourhood scale battery project.
Criterion 2 – What will be delivered?	<p>Applications will be required to describe the project including:</p> <ul style="list-style-type: none"> • details of what will be delivered; • work done to ensure benefits will be delivered to the local community; • work done to ensure the project will not result in additional network issues (e.g weaken network hosting capacity and/or impact existing customers); • work done to date to ensure the project is ready to begin; and • at the completion of the project, the applicant’s readiness to implement a Neighbourhood Battery trial.
Criterion 3 – Who will benefit?	<p>Applications will be required to:</p> <ul style="list-style-type: none"> • provide details of project participants (households, businesses, community organisations, retailers, distribution businesses, etc); • clearly outline the economic, social, and environmental benefits; • clearly articulate, describe and quantify the expected benefits, including: <ul style="list-style-type: none"> – customer value proposition; – community benefits; – network benefits, such as addressing network constraints; – financial benefits such as savings in energy costs; – environmental benefits such as emission reductions; – social benefits such as increased renewable energy access; and – any other secondary benefits to stakeholders.
Criterion 4 – How will the project be delivered?	<p>Applications will be required to:</p> <ul style="list-style-type: none"> • describe how the grant funding will be used and justify why this is the appropriate use of the funds (including completing the attached cash flow template); • provide a project delivery and governance strategy, including a list of the

Assessment Requirements criteria

- key milestones, deliverables and associated timelines for the project;
- provide details of the proposed strategy for engaging participants, community and/or key partners for the project and describe the role of participating organisations;
- describe the additional funding sources required for the project and the timing for this funding to be secured;
- describe the capability and capacity of the applicant to deliver the project including the skills and experience of individual personnel and project partners;
- describe how the data, information and lessons learned from the project will be collected, stored, analysed and disseminated so that it reaches the target audiences and any constraints that may prevent the applicant from sharing knowledge and information, such as intellectual property (IP) protection processes and rights of any third parties including third party materials and IP;
- complete and attach the project delivery schedule template; and
- where there are concurrent funding applications, applications must identify how the project will be funded if other applications are unsuccessful.

5.3 Stream 2: Implementation Ready Projects

5.3.1 Additional eligibility criteria for Stream 2

In addition to satisfying the minimum eligibility and assessment criteria outlined below, implementation ready projects must be able to demonstrate, where applicable, the following:

- Permission to connect the neighbourhood scale battery has been granted by the Distributed Network Service Provider (DNSP), and the DNSP is satisfied that the battery will be operated in accordance with network limits.
- That the project will not cause additional network issues.
- That any new or nascent technologies to be implemented as part of the trial have undergone appropriate testing.
- Data sharing arrangements between relevant parties have been agreed upon.
- Landholder agreements have been signed and permissions have been granted for battery installation.
- Evidence of effective local community engagement, and if there is a customer participation element, evidence that participants are appropriately informed about the trial, aware of their rights and responsibilities, and appropriate consumer protection arrangements are in place.
- Detailed project plans and budgets for neighbourhood scale battery implementation and operation, including value streams expected to be targeted and tariff arrangements.
- All contractual relationships necessary for battery operation and participation in relevant value streams are in place.
- Safety requirements of the battery installation have been considered and will be complied with.
- All significant risks have been identified, with appropriate mitigation strategies, in a risk management plan.

5.3.2 Assessment Criteria for Stream 2

Assessment criteria	Requirements
Criterion 1 – Why should this project be funded?	<p>Applications will be required to:</p> <ul style="list-style-type: none"> • describe the problem or opportunity that this project is addressing; • demonstrate the extent to which the funds will be used for the implementation and operation of a neighbourhood scale battery(s) trial.
Criterion 2 – What will be delivered?	<p>Applications will be required to describe the project including:</p> <ul style="list-style-type: none"> • details of what will be delivered including how the battery will operate • work done to ensure benefits will be delivered to the local community; • work done to ensure the project will not result in additional network issues (e.g weaken network hosting capacity and/or impact existing customers); • evidence of community consultation; • work done to date to ensure the project is ready to begin; and • projects with a clear plan to trial innovative tariffs will be viewed favourably.
Criterion 3 – Who will benefit?	<p>Applications will be required to:</p> <ul style="list-style-type: none"> • provide details of project participants (households, businesses, community organisations, retailers, distribution businesses, etc); • clearly outline the economic, social, and environmental benefits; • clearly articulate, describe and quantify the expected benefits, including: <ul style="list-style-type: none"> – customer value proposition; – community benefits; – network benefits, such as addressing network constraints; – financial benefits such as savings in energy costs; – environmental benefits such as emission reductions; – social benefits such as increased renewable energy access; and – any other secondary benefits to stakeholders.
Criterion 4 – How will the project be delivered?	<p>Applications will be required to:</p> <ul style="list-style-type: none"> • describe how the grant funding will be used and justify why this is the appropriate use of the funds (including completing the attached cash flow template); • provide a project delivery and governance strategy, including a list of the key milestones, deliverables and associated timelines for the project; • provide details of the proposed strategy for engaging participants, community and/or key partners for the project and describe the role of participating organisations; • describe the additional funding sources required for the project and the timing for this funding to be secured; • describe the capability and capacity of the applicant to deliver the project including the skills and experience of individual personnel and project partners;

Assessment Requirements criteria

- how the data, information and lessons learned from the Project will be collected, stored, analysed and disseminated so that it reaches the target audiences and any constraints that may prevent the applicant from sharing knowledge and information, such as intellectual property (IP) protection processes and rights of any third parties including third party materials and IP;
- complete and attach the project delivery schedule template; and
- where there are concurrent funding applications, applications must identify how the project will be funded if other applications are unsuccessful.

5.4 Supporting documentation

The following supporting documentation must be attached:

- project cash flow template;
- project delivery schedule template;
- project risk register; and
- any other documents to support and provide context for the application, however, these documents will not be considered in the assessment of the application.

Templates for supporting documents can be downloaded from <https://www.energy.vic.gov.au/new-energy-technologies>.

6 How to apply

6.1 Application process and key timing

Applications for projects must be made via the online grant management portal. Applications must be received by the department no later than **5pm, 23 April 2021**. The link to the online portal can be found at <https://www.energy.vic.gov.au/new-energy-technologies>.

6.2 Program timing

Indicative program timing is summarised below.

Event	Date
Applications Open	February 2021
Applications Close	23 April 2021
Application evaluation	April/May 2021
Successful applicants notified	May 2021
Finalise funding agreement	June 2021
Completion of Project	June 2022

6.3 Program requirements

Applicants should:

- address all the project assessment criteria in their response to each question;
- include all key information, data and evidence to support the responses; and
- provide a primary contact for any follow-up.

DELWP staff may make contact with applicants to seek further clarification of the information submitted.

6.4 Applicant questions

Applicants can submit clarification questions in relation to the application guidelines, the application process and the broader program to the department. Questions must be lodged no later than **16 April 2021**. Any information provided by the department in response to any question raised by a potential applicant, may be uploaded onto the “Frequently Asked Questions” webpage. Clarification questions can be submitted to neighbourhood.batteries@delwp.vic.gov.au

7 Funding conditions

7.1 Funding agreement

Successful applicants must enter into a funding agreement with DELWP. Funding agreements establish the parties and outline their commitments and obligations to each other, as well as setting out the general funding terms and conditions. The Victorian Common Funding Agreement (VCFA) is used by all Victorian Government departments and establishes a standardised approach to how funding is managed. The VCFA simplifies funding arrangements with both the not-for-profit community sector and the local government sector. It is recommended that applicants review the terms and conditions before applying.

No funding will be released until DELWP and the applicant have executed the funding agreement and the appropriate milestone evidence identified in the funding agreement has been met. DELWP reserves the right to withhold payments in cases where evidence has been provided but the department deems that there are concerns relating to the delivery of the project. In this instance, the department will release funding when appropriate actions have been taken to ensure the project is delivered within the agreed timeframes.

Successfully funded projects will be offered funding as a GST exclusive amount. However, for organisations with an ABN and who are GST registered, payment will be made GST inclusive. Recipients are responsible for determining their tax liabilities for grant payments. Grants provided by DELWP are classified as income and tax may be payable by recipients. Each applicant is responsible to investigate their own tax structure and treatment.

7.2 Project monitoring and delivery

Funding recipients are required to comply with project monitoring and reporting requirements to be outlined in the funding agreement. Recipients are responsible for project delivery, including any project cost overruns should they occur. In cases where a project is delayed for an unreasonable length of time, where substantive changes to scope are made after funding has been approved, or where a project fails to be delivered, DELWP reserves the right to cancel the grant and, if applicable, recoup any payment that has already been provided.

7.3 Acknowledgement

Successful applicants are expected to acknowledge the Victorian Government's support and promotional guidelines will form part of the funding agreement. Successful applicants must consult the department prior to the publication of any project promotional materials and liaise with the departmental program area to coordinate any public events or announcements related to the project. Successful applicants may be required to contribute information on activity outcomes for use in program evaluation, research or in the department's communication materials.

7.4 Cost

The department is not liable for any costs, expenses, losses, claims or damages that may be incurred by applicants in connection with the application process, including in preparing or submitting an application, providing further information to the department, or participating in negotiations with the department.

7.5 Probity for application procedures

The applicant and any of its associates must not offer any incentive to, or otherwise attempt to influence any of the persons who are either directly or indirectly involved in the application Process, or in awarding any subsequent contract. If the department determines that the applicant or any of its associates have violated this condition, the applicant may be disqualified from further consideration, in the department's absolute discretion.

By submitting an Application, the Applicant consents to the Department performing probity and financial investigations and procedures in relation to the Applicant or any of its associates. The

Applicant agrees, if requested by the Department, to seek consents from individuals to allow such probity checks.

7.6 Confidentiality

The department will, to the extent permitted by law, treat all information as strictly confidential and commercial-in-confidence where relevant. Any personal information will be managed in accordance with the published Privacy Policy, which can be found at <https://www.delwp.vic.gov.au/privacy>.

8 Contacts and further information

For more information:

- Energy webpage: <https://www.energy.vic.gov.au/new-energy-technologies>
- Email the program team at neighbourhood.batteries@delwp.vic.gov.au