

Microgrid Demonstration Initiative

Application Guidelines



Energy Commercial Projects and Programs Division



Environment,
Land, Water
and Planning

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Microgrids Initiative

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Application Guidelines

1 The Program

1.1 Background

The Victorian Government will contribute up to \$10 million in grant funding over four years to develop and implement state wide demonstration projects, using microgrid models.

The purpose of these Guidelines is to set out the objectives, assessment criteria and application process for the Microgrid Demonstration Initiative (the Program).

1.2 Program Objectives

The Program is designed to fund and facilitate innovative, market driven commercial ready microgrid demonstration projects in Victoria, across various locations, building types, scales and business models so as to capture learnings enabling future rollout. In this regard, the Program aims to support local players in overcoming microgrid challenges and unlocking microgrid markets in Victoria.

The Program seeks to support projects that: strengthen the Victorian electrical system, encourage the development of clean and new energy technologies (including renewable energy and storage) and boost the local economy.

1.3 Program Design

The Microgrid Demonstration Initiative will be delivered via a competitive grant program.



An Expression on Interest (EOI) process is planned as the first stage of a multi-stage process to identify projects and to explore the range of microgrid solutions that can be implemented in Victoria.

EOI applications that are short-listed by the Department will be eligible for the Request for Proposal (RFP) stage of the Program.

Between the EOI and RFP stages, the Department may offer a series of workshops to short-listed applicants to review potential challenges and develop mitigation strategies for project implementation. The intent of this stage will be to ensure applicants are able to submit the strongest possible application in the RFP stage.

The details of the Program stages and timeline (Table 1) are indicative only and may be subject to change.

Stage 1: Expression of Interest (EOI)

Applicants will have approximately nine weeks to submit an EOI proposal. An Expert Assessment Panel (EAP) will short-list EOIs over approximately four weeks. Shortlisted applicants will be notified in writing.

Stage 2: Request for Proposal (RFP)

The RFP will be open in 2018 to **short-listed EOI applicants only**, for approximately six weeks. The invitations may request applicants to submit further information to support their projects. An EAP will review RFP submissions over four weeks. Successful projects will receive a Ministerial Letter of Offer and will be publicly announced following execution of funding agreements.

Project delivery

Successful RFP applicants will be required to actively take part in knowledge sharing during project delivery.

Table 1-1: Indicative Timetable

Element	Date
EOI open	12 December 2017
EOI close	2 pm, Thu 15 February 2017
Stakeholder workshops	16 April to 20 April 2018
RFP invitation to short listed applicants	23 April 2018
RFP close	4 June 2018
Successful applicants notified	July 2018
Finalise funding agreements	September 2018
Completion of Projects	By June 2021

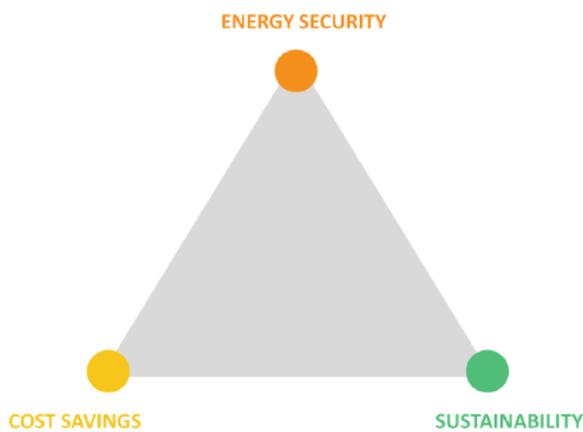
2 Microgrids

2.1 Drivers

Microgrids are typically developed for three main reasons: energy security, cost savings and sustainability.

It is expected that an eligible project would address at least one of these drivers, and may address all three drivers to various degrees.

Figure 2-1: Primary Drivers for Microgrids



Regulations

Projects are expected to operate within the current regulations for market participation, distribution, safety and customer protections.

Applicants should ensure they meet, or will be able to meet, the applicable exemption or licencing requirements.

Table 2-1: Drivers for Microgrids

Driver	Potential/Example Benefits
 Energy security	<ul style="list-style-type: none"> • Provide energy independence from the main grid for a limited time • Avoid energy infrastructure vulnerability to threats (e.g. natural disasters, cyber-attacks) • Improve critical load reliability • Relieve congested network areas
 Sustainability	<ul style="list-style-type: none"> • Control of on-site energy production to increase local renewable penetration • Reduce carbon emissions • Increase uptake of distributed energy resources
 Cost savings	<ul style="list-style-type: none"> • Operate private infrastructure at lower cost than end-user tariffs • Group hedge against future electricity prices • Generate revenue from participation in the wholesale market or through ancillary services • Provide demand response or other services to the local network operator

2.2 Definition of a Microgrid

For this Program, a microgrid can be considered as a subset of the broader electricity network including all the necessary components to operate **independently**.

A microgrid has three key components: generation, storage and loads, within a bounded and controlled network.

Eligible projects for this Program include microgrid, smart embedded network, virtual power plants and prosumer clustering projects. **This program is only targeting grid-connected projects.**

Simple private embedded networks are already well developed in Victoria and will not be supported under this program.

How these project types are defined is in Figure 2.2 and Table 2.2.

Figure 2-2: Components and Capabilities of Network Clusters

Microgrid components, characteristics & services provided to the grid

	Components				Electric boundaries	Islanding	Main grid interaction			Eligible for EOI
	Generation	Storage	Load	Controller & EMS			Ancillary services	Local services to DNSP	Market participation	
Simple embedded network										No
Virtual Power Plant										Yes
Prosumers clustering										Yes
Smart embedded network										Yes
Microgrid										Yes
Off-grid microgrid										No

Grid-connected

Included
 May be included
 Not included

Table 2-2: Network cluster definitions

Network cluster definitions
<p>Simple embedded network: a private electricity network that serves multiple premises with a single connection point to the National Electricity Market (NEM).</p>
<p>Virtual power plant: a system that combines several types of distributed power sources to give a reliable overall power supply. Has central control with the ability to trade or sell power to the market.</p>
<p>Prosumer clustering: the clustering of electricity consumers and producers (prosumers). Central control of the cluster optimises consumption for participants and may provide grid services. Prosumers may be located in the same premises.</p>
<p>Smart embedded network: an embedded network with the ability to integrate and optimise generation, storage and load and interact with the main grid.</p>
<p>Microgrid: a network with the ability to integrate and optimise generation, storage and load and respond to signals from the main grid and participate in energy markets. Can island and operate in isolation.</p>

2.3 Microgrid Business Models

Within a microgrid distinct stakeholder roles exist. These roles may be performed by a single player or many players and include the:

- owner of the generation assets,
- owner of the distribution grid,
- operator of the generation assets,
- operator of the distribution grid, and
- final user(s).

Grid-connected microgrids interface with multiple external players, including:

- the main grid owner,
- the main grid operator,
- regulatory institutions, and
- electricity retailers.

From these relationships within, and external to, the microgrid different business models are possible. The Program is targeting projects business models in Table 2-3.

Figure 2-3: Microgrid business models

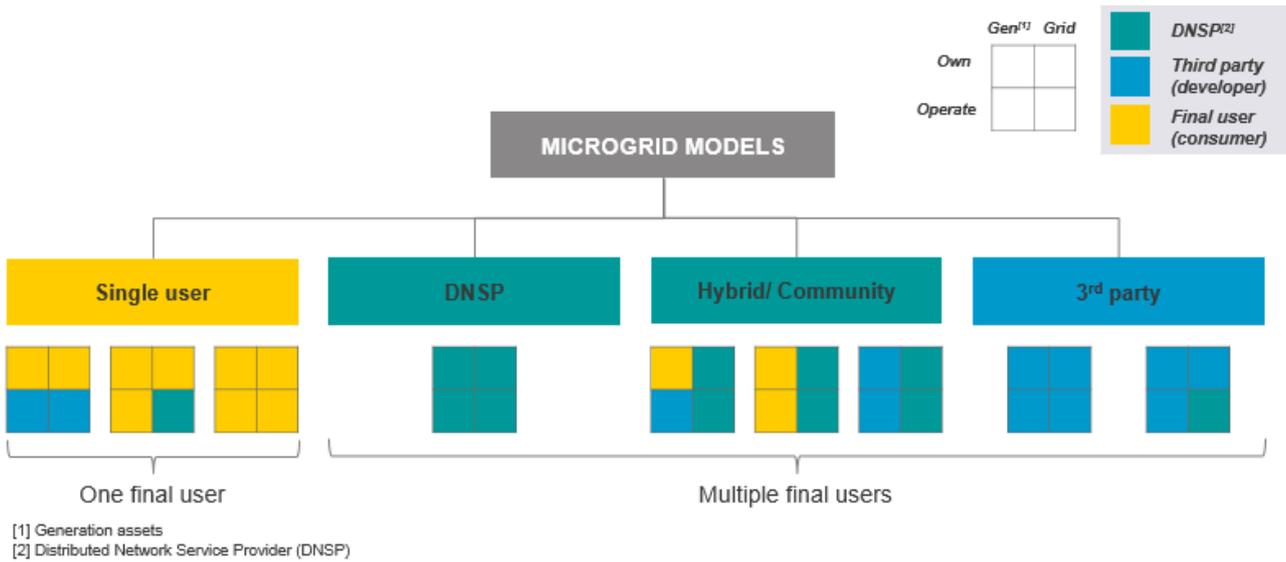


Table 2-3: Microgrid business models

Microgrid business models
<p>Single user model</p> <p>Microgrid generation assets and distribution grid are owned by the final user.</p> <p>May be operated by another party.</p>
<p>DNSP model</p> <p>A DNSP owns and operates the microgrid.</p>
<p>Hybrid / Community model</p> <p>A DNSP owns and operates the microgrid distribution network.</p> <p>Generation assets are owned and/or operated by the final user or a 3rd party.</p>
<p>3rd party model</p> <p>One or several private entities own the generation and distribution assets.</p> <p>Distribution grid may be operated by the DNSP.</p>

2.4 Microgrid challenges

The Department has identified some challenges that may be relevant to microgrid projects.

These challenges can be classified into four main categories: regulatory, technical, economic and social.

The Program is targeting projects that will address one or more of these challenges.

Table 2-4: Main challenges faced by microgrid systems

Challenges
<p>Regulatory:</p> <ul style="list-style-type: none"> • uncertain regulatory status for microgrids, • planning approvals, • regulated and restricted electricity generator, distributor and supplier ownership roles, • retail and distribution licensing requirements, • network tariff structure, • customer rights protection, • lack of regulatory definition for grid connection and reconnection procedure, • complexity and duration of approval processes.
<p>Technical:</p> <ul style="list-style-type: none"> • integration of new energy technologies and system control, • safety compliance, • electrical protection compliance within microgrid and when connected or islanded, • microgrid synchronisation with the main grid.
<p>Economic:</p> <ul style="list-style-type: none"> • Project costs, • Access to capital, • Access to microgrid value streams when operational (income).
<p>Social:</p> <ul style="list-style-type: none"> • effective stakeholder engagement within and

Challenges

- outside a microgrid,
- consumer behaviour in shared assets that is unanticipated,
- unfeasible expectations from project stakeholders

3 Funding

Funding of up to \$10 million is available. Applications must meet the Program criteria.

The minimum funding limit for individual projects is \$100,000 and the maximum is \$5 million.

Applicants must provide a cash contribution. There is **no minimum funding ratio** for this Program, however, **a higher ratio will be viewed more favourably**.

Where appropriate and in line with the Program objectives, the Program will consider various forms of co-contribution proposed by applicants.

Funding allocation will be based on the assessment of applications and will typically be made available to successful Projects under a signed Funding Agreement.

Funds are paid in arrears on satisfaction of agreed project milestones.

4 Eligibility

To be eligible for consideration, applicants must satisfy **all** of the mandatory eligibility requirements. Provision of supporting information may be required.

Important information regarding **eligible and ineligible expenditure** can be found in Attachment B: Expenditure Guidelines

4.1 The Applicant

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'. 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.

Participants (as part of a consortium) do not have to meet the Lead Organisation requirements above.

Indigenous Organisations are encouraged to apply.

Applicants must be able to state whether there are any actual or perceived conflict of interest issues in relation to the proposed project for the Applicant, Lead Organisation and any Participants.

Lead Organisation requirements

All lead organisations must:

- operate in Victoria
- nominate an authorised representative
- endorse an application
- verify any commitment of funds for the Project
- be authorised to enter into a Funding Agreement with the State, if successful
- 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
- provide three years of financial reports (preferably audited) for the Lead Organisation or the Lead Organisation's parent company. The Department may request, during the Assessment Process, that unaudited financial reports be audited and resubmitted.

Businesses operating for profit, not-for-profit organisations and Victorian Councils are eligible to apply as a Lead Organisation if:

- registered in accordance with the Corporations Act 2001
- incorporated as an association under the Associations Incorporation Reform Act 2012
- incorporated as a co-operative under the Co-operatives National Law Application Act 2013
- a 'Council' within the meaning of the Local Government Act 1989
- a committee of management incorporated under the Crown Land (Reserves) Act 1978.

Australian Universities and TAFEs/technical colleges are eligible to apply as a Lead Organisation as a 'registered higher education provider within the

meaning of the Tertiary Education Quality and Standards Agency Act 2011 (Cth)'.

4.2 The Project

Applicants must be able to demonstrate they can meet the following criteria:

- the Project must take place in Victoria*
- the Project activities for which funding is sought have not previously been funded by the Commonwealth or Victorian Governments**
- there are no actual or perceived conflict of interest issues in relation to the proposed Project for the Applicant, Lead Organisation and any Participants
- the technology proposed for the Project is commercially-ready new energy technology**
- the Lead Organisation and any Participants must not have any unresolved issues with the

Environment Protection Agency or WorkSafe Victoria.

* Applicants may be able to purchase services, supplies and technology from overseas, provided that the expenditure on overseas sourced purchases is agreed to by the Department.

** However, Applicants may apply for project activities that are a significant evolution of or development upon projects that previously obtained support from the Commonwealth or Victorian Governments.

5 Assessment Criteria

The tables below provide an overview of the Assessment Criteria and their relative weightings. Full Assessment Criteria are detailed in Section 5.1.

The same Assessment Criteria will apply at both EOI and RFP stages.

Table One: Assessment Criteria Weighting Summary

Criteria No.	Assessment Criteria	Weighting
1	The Project	30
2	The Capability and Capacity of the Applicant and Participants	30
3	The Benefits of the Project	40

Table Two: Assessment Criteria Summary

1. THE PROJECT

1.1 Merit, validity and readiness of the Project.

1.2 Key risks and challenges for the Project.

1.3 Project financial viability - Appropriateness of the proposed budget, the amount of funding sought from Government and its leverage compared to other sources of Project funding.

1.4 Project delivery strategy - The Project delivery strategy and timeline is well articulated, sensible and realistic.

2. THE CAPABILITY AND CAPACITY OF THE APPLICANT AND PARTICIPANTS

2.1 Track record demonstrating the necessary experience and technical, commercial and financial capability of the Applicant, Participants and key personnel to deliver the Project and achieve its objectives.

3. THE BENEFITS OF THE PROJECT

3.1 The Project's benefits to Victoria and the local community.

3.2 The Project's knowledge sharing strategy.

5.1 Detailed Assessment Criteria

Applicants should refer to this section whilst completing the on-line Application Form. Applicants must respond to all required Assessment Criteria in their Application. The “guidance notes” provided are intended to provide guidance to Applicants towards answering the Assessment Criteria but may not be relevant to all Applicants.

Table Three: Detailed Assessment Criteria

Assessment Criteria 1: The Project

Criteria	Application Questions	Guidance Notes
1.1 Merit, validity and readiness of the Project.	Describe the project and its objective/s.	Under separate headings, clearly and succinctly describe the project and its key objective/s. <i>(max 500 words)</i>
	Describe the location of the project.	Where is the project located? If a project site has not been identified, summarise the characteristics of a suitable site. <i>(max 500 words)</i>
	Does the project/system have the following components: <ol style="list-style-type: none"> 1. Generation Assets 2. Energy Storage 3. Loads 4. Controller 5. Energy Management System (EMS) 6. Other 	Where applicable describe the technical components of the system. May include information on whether infrastructure assets are existing and installed, or if new infrastructure is required. Note: Applicants may refer to section 2.2 of these Guidelines. <i>(max 300 words)</i>
	Describe how the system will interact with the main grid.	Where applicable include information on how the system will interact with the network. For example, will the project include: <ul style="list-style-type: none"> • ability to island from the main grid • ancillary services to the NEM • local services to DNSP • market participation • other Note: Applicants may refer to section 2.2 of these Guidelines. <i>(max 300 words)</i>
	Describe the business model of the project.	May include details on: <ul style="list-style-type: none"> • the roles and responsibilities of project stakeholders (especially in terms of asset ownership and operation)

		<ul style="list-style-type: none"> • expected value streams from the system <p>Note: Applicants may refer to section 2.3 of these Guidelines.</p> <p><i>(max 500 words)</i></p>
	<p>Describe the key microgrid challenges to be solved and how your project will address these challenges.</p>	<p>Outline the key challenges (regulatory, technical, economic and/or social) that the project addresses.</p> <p>Describe how the project is expecting to overcome these challenges and how it will support the development of a sustainable microgrid market in Victoria.</p> <p>Note: Applicants may refer to section 2.4 of these Guidelines.</p> <p><i>(max 500 words)</i></p>
	<p>Describe why this project is ready for implementation.</p>	<p>Where applicable describe the work done to date on the project, including the:</p> <ul style="list-style-type: none"> • status of business cases and/or other studies • agreements with partner organisations • extent to which the project site has been secured • status or progress of any discussions regarding grid connections and any electricity Network Connection Agreements and/or offtake agreements, where relevant. <p>Supporting documentation such as a business case or other evidence of project implementation readiness can also be attached.</p> <p>Extracts of documents (such as executive summaries) are preferred in place of full length reports and large documents.</p> <p>Full length documents will be requested if required.</p> <p><i>(max 300 words)</i></p>
<p>1.2 Key risks and challenges for the Project</p>	<p>Describe the known risks and challenges for the project and how they will be managed.</p>	<p>Risks may be related to:</p> <ul style="list-style-type: none"> • Regulations • Potential cost or delay for Connection Agreements • Potential cost or delay for Planning Approvals

		<ul style="list-style-type: none"> • Government approvals • Key structural or market challenges/barriers (including economic, logistic and technical) for commercialisation that would need to be resolved • Technology and system integration complexity • Safety requirements • Site access / availability • Potential constraints in the power system • Environmental impacts • Difficult access to targeted revenue streams • Unexpected high project costs • Issues relating to the cost competitiveness of the proposal • Issues of concern to the community • Consumer protection rights • Governance • Difficult engagement with key stakeholders • Insufficient industry partnerships • Access to IP • Personnel recruitment • Equipment ordering and delivery • Any other risks
<p>1.3 Appropriateness of the proposed budget, the amount of funding sought from Government and its leverage compared to other sources of Project funding.</p>	<p>Describe the project budget and explain why it is appropriate.</p>	<p>May include information and a breakdown on major expenditure in the project.</p> <p>Applicants must also complete:</p> <ul style="list-style-type: none"> • a project budget in the online application form, and • the Project Cash Flow template <p>The Project Cash Flow template can be found in the “Mandatory Application Attachments” document located at: www.energy.vic.gov.au/microgrids</p> <p>Note: refer to Attachment B for the Expenditure Guidelines.</p> <p><i>(max 300 words)</i></p>
	<p>Describe the expected Project funding sources (including grants) and the status of any financing agreements.</p>	<p>Where applicable include:</p> <ul style="list-style-type: none"> • a list of expected funding sources and amounts of grants • any planned off-take agreements (attach off-take agreement copy if

		<p>relevant)</p> <ul style="list-style-type: none"> for each funding source, provide brief details of stage of discussion and any financing agreements entered into. <p>Attach any relevant supporting documents as evidence of funding commitments (letters of support, MOUs, funding agreements etc)</p> <p><i>(max 500 words)</i></p>
	<p>Identify the leverage of Government funding compared to other sources of Project funding.</p>	<p>Indicate the ratio of private and other public co-contributions to the requested funding from the Microgrid Demonstration Initiative.</p> <p>Note: Applicants must provide a cash contribution. There is no minimum funding ratio for this Program however a higher ratio will be viewed more favourably.</p> <p><i>(max 300 words)</i></p>
<p>1.4 The Project delivery strategy and timeline is well articulated, sensible and realistic.</p>	<p>What is the duration of the project?</p>	<p>Indicate the project commencement and finish dates.</p> <p>May provide other relevant information on the expected duration of the project.</p> <p><i>(max 200 words)</i></p>
	<p>How will the project be delivered?</p>	<p>Provide a brief description of how the project will be delivered including:</p> <ul style="list-style-type: none"> project governance key milestones deliverables associated project timelines <p>Applicants must also complete and attach the Project Delivery Schedule Template, or equivalent.</p> <p>The completed schedule should outline tasks required to complete the project and expected timing for each task.</p> <p>The intent of the schedule document, or equivalent, is to demonstrate awareness of all the key tasks required to deliver the project and that the proposed project timeline is realistic and achievable.</p> <p>The Project Delivery Schedule template can be found in the “Mandatory Application Attachments” document located at: www.energy.vic.gov.au/microgrids</p> <p><i>(max 500 words)</i></p>

Assessment Criteria 2: The Capability and Capacity of the Applicant and Participants

Criteria	Application Questions	Guidance Notes
2.1 Track record demonstrating the necessary experience and technical, commercial and financial capability of the Applicant, Participants and key personnel to deliver the Project and achieve its objectives.	What are the roles of the Project Participants and who are the key personnel for the Project?	<p>List the Project Participants and the role each organisation will play in the project. Where appropriate, include the status of any relevant cooperation/collaboration agreements.</p> <p>List the names and/or positions of all key project personnel. Why are they instrumental to the project's success? Indicate if personnel will be specifically recruited for this project.</p> <p><i>(max 750 words)</i></p>
	List the previous projects in this field delivered by the project team and their outcomes.	<p>List any similar projects completed and the outcomes demonstrating technical, commercial and financial capability. Describe how past experience will contribute to delivering this Project on time and on budget.</p> <p><i>(max 300 words)</i></p>

Assessment Criteria 3: Benefits

Criteria	Application Questions	Guidance Notes
3.1 The Project's benefits to Victoria and the local community.	What are the economic benefits to Victoria and the local community of this project?	<p>May describe to what extent the Project:</p> <ul style="list-style-type: none"> creates investment opportunities for New Energy Technologies promotes a positive business model for decentralised energy resources generates cost savings in the electricity network delivers cost savings to customers results in peak energy shaving and increased energy efficiency unlocks new investments creates and/or retain employment creates long-term economic benefits that remain after funding has ceased generates other economic benefits <p><i>(max 500 words)</i></p>
	Does this project create any new jobs?	<p>Where applicable, describe how many:</p> <ul style="list-style-type: none"> direct long-term jobs this project will create by the completion date indirect jobs are created by other businesses due to the economic growth of your business/project <p>Note: Consultants are generally</p>

		<p>independent contractors and do not count as direct or indirect jobs.</p> <p><i>(max 300 words)</i></p>
	<p>What are the social and environmental benefits to Victoria and the local community of this project?</p>	<p>Where applicable include information on how the project:</p> <ul style="list-style-type: none"> • provides adequate social return to the community • complements other investments and/or government policy objectives • contributes to the overall reduction in greenhouse gas emissions intensity and positions Victoria for a low emission future • provides other social and environmental benefits <p><i>(max 500 words)</i></p>
<p>3.2 The Project's knowledge sharing strategy.</p>	<p>What is the Project's knowledge sharing strategy?</p> <p>What is the value of the potential knowledge generated?</p>	<p>Clearly describe, where applicable:</p> <ul style="list-style-type: none"> • who the target audience for information from the project may be • how data, information and lessons learned will be collected, stored, analysed and disseminated so that it reaches the target audiences • clearly identify the extent to which data, information and lessons learned will be made publicly available • any constraints that may prevent the Applicant from sharing knowledge and information, e.g. intellectual property (IP) protection processes and rights of any third parties including third party materials and IP • the value of knowledge generated <p><i>(max 500 words)</i></p>

6 Application Process

6.1 Application

Applications at the EOI stage must be made using the electronic form and submitted online.

Applicants will be notified if they have been shortlisted, or otherwise accordingly.

Short listed Applicants will then be invited to submit additional documentation for further assessment at the RFP stage.

Details relating to conditions, specifications, mandatory eligibility requirements and assessment criteria are described in this document. It is the responsibility of the Applicant to **read and understand the Application Guidelines and Terms and Conditions at Attachment A**. Applicants cannot submit their own terms and conditions.

6.2 Questions

If you are having difficulty downloading information or technical difficulties with the online application, please **contact the grants information line on 1300 366 356**.

Questions must be lodged up to seven days prior to the closing date.

Applicants acknowledge and agree that:

- If the Department provides additional information to a potential applicant, it may issue a copy of this additional information to other potential applicants (such information will be deemed to form part of these Application Guidelines); and
- Any information provided by the Department in response to any question raised by the potential Applicant, may be uploaded onto the “Frequently Asked Questions” webpage.

6.3 Meetings with the Department

The Department will offer all Applicants the opportunity to meet before the Closing Date to discuss any clarification queries in relation to the Application Guidelines, the Application Process and the broader Program.

These meetings:

- are intended to clarify any issues about the Program;
- will be available via tele conferencing to Applicants unable to meet face-to-face;
- must occur at least **seven days** prior to the Closing Date; and
- will not form part of the Department’s evaluation process.

Nothing discussed during a meeting between the Department and an Applicant may be relied on by the Applicant unless subsequently confirmed in writing by the Department.

6.4 Funding Agreement

A funding agreement template will be provided to short listed applicants at the RFP stage.

As part of the RFP process, Applicants will be asked to indicate their compliance or otherwise with the funding agreement template.

Subject to acceptance of the offer by the Applicant, a legally binding Funding Agreement will be prepared reflecting the project, proposed outcomes, milestones and conditions of payment.

7 Administration and Assessment of Applications

All applications will be assessed against the eligibility and assessment criteria and their ability to meet the objectives of the Program.

7.1 Assessment

The Department will review Applications for completion and to check that they meet the mandatory eligibility requirements. Applications that meet the requirements will be considered “eligible applications” and those that don’t will not be considered further in the assessment process.

All eligible applications will be assessed against the assessment criteria (a panel of independent industry and technology experts will assist in project assessment). This will occur at both the EOI and RFP stages.

The Minister for Energy, Environment and Climate Change will make the final decision on the Projects to be approved for funding.

7.2 Clarifications

Applicants may be contacted to provide additional supporting documentation or to provide clarifications. Applicants may also be required to attend an interview to discuss their application. Interviews may be conducted via telephone or video conferencing to Applicants unable to meet face-to-face.

The Department reserves the right, in its absolute discretion, to enter into any discussion or written communications with any Applicant to seek clarifications and additional information to enable evaluation of an application without undertaking similar discussions or written communications with any other applicant.

Applicants must provide any additional information within a reasonable time period as specified by the Department. The Department may in its absolute discretion reject an application from an Applicant that fails to provide the additional information within the required time period.

8 Reporting and Publicity

8.1 Reporting

All recipients of grant funds must agree to:

- Comply with performance monitoring requirements, including written reports and face-to-face meetings with the Department; and
- Participate in formal evaluations of the Program by the Department

8.2 Publicity

All applicants must agree to:

- Cooperate with the Department in the preparation of materials used to promote the benefits of the Program, such as media releases or case studies; and
- Consult the Department prior to the publication of any project promotional materials.

8.3 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 www.business.vic.gov.au/privacy.

8.4 Contacts and Further Information

For more information:

- Microgrids webpage: <https://www.energy.vic.gov.au/microgrids>
- Email the Program team at microgrids@delwp.vic.gov.au
- Grant Information Line: 1300 366 356 or grantsinfo@delwp.vic.gov.au

Attachments

Attachment A – Terms and Conditions of the Application Guidelines

Attachment B – Expenditure Guidelines

Attachment C – Financial Security

Attachment A - Terms and Conditions of the Application Guidelines

1. Definitions and Glossary

- a) "ATO" means the Australian Taxation Office;
- b) "Applicant" means an entity which submits an Application;
- c) "Application" means the documents constituting an offer (in response to these Application Guidelines) to undertake a Project, including the Application Form as developed by the Applicant;
- d) "Application Form" means the Application Form as set out online;
- e) "Application Guidelines" means this document;
- f) "Application Process" means the process for requesting and assessing Applications as described in this document, and includes, shortlisting Applicants as part of the EOI, selecting successful Applicants as part of the RFP and finalising and executing a Funding Agreement with each successful Applicant;
- g) "Assessment Criteria" means the criteria in section 5.1 this Application;
- h) "Assessment Process" means the process for the assessment of Applications in section 6 of this Application Guidelines;
- i) "Associations Incorporation Reform Act" means the *Associations Incorporation Reform Act 2012* (Vic);
- j) "Business Day" means a day that is not a Saturday, Sunday or public holiday in Melbourne, Victoria;
- k) "Closing Date" means the closing date set out in this document;
- l) "Closing Time" means the closing time set out in this document;
- m) "Community-Based Organisation" means a not-for-profit organisation that is representative of all, or a significant segment of, the community in which the Project will be undertaken;
- n) "Co-operatives Act" means the *Co-operatives Act 1996* (Vic);
- o) "Corporations Act" means the *Corporations Act 2001* (Cth);
- p) "Crown Land (Reserves) Act" means the *Crown Land (Reserves) Act 1978* (Vic);
- q) "Department" means the Victorian Government Department of Environment, Land, Water and Planning and its successor Government departments, and all references to the Department shall be read and construed as references to the Crown in Right of the State of Victoria;
- r) "EOI" means the Expression of Interest stage of the Application Process;
- s) "Funding Agreement" means the funding agreement between the Department and a successful Applicant;
- t) "In-kind" or "In-kind Contribution" means a non-monetary contribution in the form of Project resources to the Project including personnel, equipment or such other items agreed by the Department from time to time. The value of In-kind Contributions must be expressed in terms of their reasonable cost or monetary value directly attributable to the Applicant. In-kind Contributions do NOT include sunk costs of background intellectual property or previous research and development / demonstration phases of the technology being brought to the Project.
- u) "Information Privacy Act" means the *Privacy and Data Protection Act 2014* (Vic).
- v) "Intellectual Property" or "IP" means all types of intellectual property rights whether registered or not and includes all copyright and neighbouring rights (including rights in relation to phonograms and broadcasts), all rights in relation to inventions (including patent rights), plant varieties, registered and unregistered trade marks (including service marks), registered and unregistered designs, and circuit layouts, rights to have confidential information kept confidential and all other rights resulting from intellectual activity in the industrial, scientific, literary or artistic fields including as defined in Article 2 of the Convention Establishing the World Intellectual Property Organisations of July 1967;
- w) "Lead Organisation" means the entity nominated in the Application that possesses the characteristics, and accepts the obligations in respect of the Project, as set out in section 4.1 of these Application Guidelines;
- x) "Local Government Act" means the *Local Government Act 1989* (Vic).

- y) "Mandatory Eligibility Requirements" means the requirements set out in section 4 of this Application Guidelines;
- z) "Minister" means the Victorian Minister for Energy, Environment and Climate Change;
- aa) "Minister's Letter of Offer" means a letter from the Minister to an Applicant notifying the Applicant that it has been selected for funding under the Program;
- bb) For the purposes of this Program, "New Energy Technologies" include (but are not limited to): technologies related to microgrids, decentralised generation; better use of data from advanced metering infrastructure; demand management; energy storage; hardware and software development (e.g. development of smart appliances); renewable energy transport solutions and renewable energy generation technologies;
- cc) "Ombudsman Act" means the *Ombudsman Act 1973 (Vic)*.
- dd) "Participant(s)" means a person or entity who undertakes to participate in the submission of an Application and to participate in a Project;
- ee) "Program" means the \$15.8 million Microgrid Demonstration Initiative which is the subject of this Application Guidelines;
- ff) "Program Manager" means the manager of the Program;
- gg) "Project" means the development by an Applicant of a proposal that details an activity that meets the Mandatory Eligibility Criteria and can be assessed according to the Assessment Criteria;
- hh) "Renewable Energy" means energy which is obtained from natural resources that can be constantly replenished.
- ii) "Renewable Energy Technologies" include technologies that use, or enable the use of, one or more renewable energy sources, such as solar, wind, geothermal, ocean, hydropower and bioenergy.
- jj) "RFP" means the Request for Proposal stage of the Assessment Process;
- kk) "State" or "Victorian Government" means the Crown in Right of the State of Victoria;
- ll) "VIPP" means the **Victorian Industry Participation Policy (VIPP)** which seeks to maximise opportunities for Australian, New Zealand and Victorian suppliers to compete for government business on the basis of best value for money over the life of the goods or services.

2. Representations and Warranties

The Department does not make any representations or provide any undertakings to Applicants other than to invite them to submit an Application.

The Department does not warrant the accuracy of the content of this Application Guidelines and the Department shall not be liable for any error or omission or any inaccurate or misleading information provided by the Department during the Application Process.

The information in this Application Guidelines has been compiled by the Department for the purpose of inviting Applications and must not be relied on for any other purpose.

These Application Guidelines do not contain all the information that Applicants may require in reaching decisions in relation to submitting an Application. Applicants should form their own views as to what information is relevant to such decisions, and make their own independent investigations in relation to any such information.

No representation made by or on behalf of the Department in relation to this Application Guidelines or the Application Guidelines subject matter, including in connection with any meetings conducted, shall be binding on the Department unless that representation is in writing and is expressly incorporated into a Funding Agreement.

3. Termination or Alteration of the Application Process

The Department may for its convenience at any time and in its absolute discretion terminate the Application Process, alter the Application Process or alter the scope of the Program. The Department will endeavour to notify Applicants of material changes to the Application Process or scope of the Program, or the termination of the Application Process, but is under no obligation to do so.

The Department does not bind itself, and the Applicant agrees that the Department is not bound, to accept any application.

The Department may accept or reject (in whole or in part) any application.

4. No Legal Relationship

No contract is formed between the Department and any person by reason of these Application Guidelines, an Application, and any part of the Application Process or the lodgement of an Application (other than the execution of a Funding Agreement).

5. Ownership

All documents submitted by Applicants in connection with the Application Process become the property of the Department on submission.

These Application Guidelines and any supporting material provided by or on behalf of the Department are, and shall remain, the property of the Department.

6. Communication about this Application

Applicants must not contact, communicate or discuss this Application Guidelines, the Application Process or their proposed Application with:

- any member of the Victorian Government's departments and agencies except as expressly permitted by these guidelines;
- any of the State's advisers in relation to the Program, including assessment panel members; or
- Members of Victorian Parliament or their staff.

The obligations on Applicants not to contact, communicate or discuss these Application Guidelines, the Application Process or their proposed Application will not be taken to have been breached to the extent that the contact, communication or discussion occurs:

- to, and in response to a request by, a house or a committee of the Parliament of Victoria; or
- with the Victorian Auditor General, Ombudsman or Privacy Commissioner.

Applicants may contact other agencies, such as the Environment Protection Authority and the relevant industry regulator, in order to complete the due diligence element of their Application. The Department will facilitate these contacts if required and on request.

Unauthorised contact, communication or discussion by Applicants may be considered grounds for the rejection of their application.

7. Confidentiality, Intellectual Property, Privacy and Publicity

Applicants must keep confidential any confidential information concerning the Department, received as a result of, or in connection with, in preparing and submitting an Application and any negotiations between itself and the Department during the Application Process. Applicants must not disclose such information to a third party except as may be required by law.

Applicants agree that the Department may disclose their Applications, along with any other information disclosed by the Applicant to the Department during the Application Process to the State and their departments, management, consultants and advisers or otherwise and if required by law to do so.

The State does not seek any ownership rights in any Intellectual Property owned or developed by Applicants or Participants during the Application Process. Applicants license the State to reproduce, communicate, adapt or modify the whole or any portion of their Applications for the purpose of the Application Process and, if the Applicant is successful, for use in connection with the Project or the funding of the Project.

Any personal information collected as part of the Application Process will be handled in accordance with the Information Privacy Act.

Applicants must not make any public statements or communications, or publish any media releases, in relation to the Application or Application Process, other than disclosures that the Applicant is required to make under the rules of any applicable stock exchange, without first providing a copy of the statement, communication or media release to the Department and obtaining the prior written approval of the Department.

Applicants must not, in connection with the Application Process, do or omit to do anything which may:

- damage, bring into disrepute or ridicule the Department or State's, name, messages or reputation; or
- attract public or media attention which may be prejudicial or otherwise detrimental to the Department or State's name, messages or reputation.

The Department may in its absolute discretion reject an Application from an Applicant who fails to comply with the confidentiality, Intellectual Property, Privacy or Publicity requirements of the Program.

8. Proprietary Information

The Program Manager will implement clear rules and procedures to protect proprietary business information that does not bind the State unreasonably, but does protect an Applicant's legitimate trade secrets. These procedures must be clearly understood by all parties.

The State generally regards as "proprietary", information of a business nature which is unknown to persons outside the relevant business and which would cause substantial harm to the competitive position of that party if disclosed.

If an actual or potential Applicant wishes to provide information in respect of the Program which it regards as proprietary, that Applicant/potential Applicant will be required to notify the Program Manager in writing of its intention to do so, outlining the type of information involved and its reasons for believing it to be proprietary. The Program Manager will respond to the Applicant indicating if the State also regards that information as proprietary information.

The Applicant/potential Applicant will then be able to decide, in the light of the Program Manager's response, whether to share the relevant information with the State, and, if so, on what terms.

9. Negotiations

Applicants that are short listed, as part of the EOI, will be invited to amend, alter or otherwise change its Application.

In addition, the Department may, in its absolute discretion, request or allow an Applicant to amend, alter or otherwise change its Application at any time during the Application Process.

A funding offer in the Minister's Letter of Offer is subject to execution of a Funding Agreement within a period of two months from the date of the Minister's Letter of Offer. Failure to execute in this time period may result in withdrawal of the funding offer. Requests for an extension of the negotiation period must be made to the Department in writing and may be granted at the Department's absolute discretion.

The Department may negotiate with an Applicant on any matter in the Department's absolute discretion, at any time during the Application Process.

10. Application Documents

By submitting an Application, the Applicant:

- warrants the truth and accuracy of all information contained in its Application;
- acknowledges and agrees that it is bound by the terms and conditions of the Program and contained in these Application Guidelines; and
- acknowledges and agrees that it is bound by its Application.

The Applicant's Application must use the online Application Form and the Applicant must ensure its Application contains information and details required by the Application Guidelines and Application for questions and any other information necessary to make the Application Form complete and enable assessment by the Department.

If the Application does not conform to the form required by the Application Form, does not respond to each component of the Application Form or is incomplete in any way, the Department may, in its absolute discretion, exclude the Application from consideration. Unnecessarily elaborate Applications or other presentations beyond that which is sufficient to present a complete and effective proposal are not desired or required.

11. Late Applications

The Department may accept or reject any Application received after the Closing Time on the Closing Date in its absolute discretion.

12. Validity of Applications

An Application shall be valid for 180 days from the Closing Date and may be extended, in writing, by mutual agreement between the Department and the Applicant.

13. 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.

14. Change in Circumstance

The Applicant must inform the Department promptly, in writing, of any material change to any of the information contained in its Application, and of any material change in circumstances that may affect the truth, completeness or accuracy of any of the information provided in, or in connection with, its Application.

15. No Collusion

The Applicant warrants and agrees that it is in all respects independent and that no collusion has taken place or will take place between the Applicant and any other Applicant or interested party in connection with the Application Process, including the preparation of any part of the Applicant's Application.

16. Conflict of Interest

Any Applicant or Participant with a real or perceived conflict of interest must declare that interest to the Department as soon as the conflict is identified. Where a conflict of interest arises, it must be assessed and be resolved in favour of the public interest by the relevant parties.

All Applicants and Participants are required to ensure that their performance in respect of identifying, declaring and resolving any conflict of interest is beyond reproach. Any Applicant who states that they have an actual or perceived conflict of interest in their online Application Form must contact the Department and complete and submit a conflict of interest declaration stating the nature of the conflict and the management strategy.

17. Impartiality of Specifications

Any Application Applicant who believes the specification associated with these Application Guidelines to be discriminatory, restrictive or biased in favour of a specific product or service should inform the Department in writing as early as possible but in any event BEFORE the Closing Time on the Closing Date.

18. 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.

Should any Applicant consider that the Application Process has failed to accord it a fair right to be considered a successful bidder, the Applicant should provide immediate notice (prior to the Closing Date) to the Program Contact, of the alleged failure or breach so that the matter may be considered and remedied where possible. Notification under this clause 18 must set out the issues in dispute, any relevant background information and the outcome desired.

In addition, Applicants should note that under section 13 of the Ombudsman Act, the Victorian Ombudsman is able to enquire into or investigate any administrative action taken in any government department.

19. Industry Participation Policy

The Victorian Industry Participation Policy (VIPP) is a Victorian Government initiative designed to ensure that local small and medium enterprises (SMEs) are given a full and fair opportunity to compete for government contracts, while still achieving value for money. The Industry Capability Network (ICN) Victoria facilitates the VIPP on behalf of the Victorian Government.

The VIPP applies to Victorian Government procurement activities, construction activities, major projects, major events, public private partnerships and investment support, business development and community infrastructure grants above the threshold values of \$3 million or more in metropolitan Melbourne and \$1 million or more in regional Victoria.

The Applicant acknowledges that compliance with the VIPP is a condition of this Application Guidelines if the project value is above the VIPP threshold noted above. If successful in obtaining a Microgrid grant funding Letter of Offer from the Minister Energy Environment and Climate Change, after the RFP stage, the Applicant is required to visit the <https://www.icnvic.org.au/vipp/login.asp> web page and, using the “Begin Reference # Process” button at the bottom of the page, register their project with the ICN. This process needs to be followed in order to receive the grant.

20. Governing Law

This document shall be governed by the laws of the State of Victoria. The Applicant irrevocably and unconditionally submits to the exclusive jurisdiction of the courts of Victoria, Australia.

21. Other Matters

Applicants should note that, since Government funds are being used, government purchasing principles need to be used by the Project. Copies of these principles can be found at <http://www.procurement.vic.gov.au/Home>. An important element of this policy relates to the need to tender most purchases of third party services (including contractors, consultants and asset purchases).

Project timetables should ensure that they have appropriate time allowances to ensure these processes are conducted.

Project costs should be stated as exclusive of Goods and Services Tax (GST). Grants paid will be subject to GST. The amount payable by the Government will be increased by the amount of the GST liability, provided that the funded organisation has a registered Australian Business Number and provides a valid tax invoice.

22. Contract with the State

Successful Applicants will be required to enter into a binding Funding Agreement with the State following the RFP stage.

A letter of offer from the Minister for Energy, Environment and Climate Change will be issued to each Applicant selected for funding under the Program. The funding in the Minister’s Letter of Offer is subject to execution of a Funding Agreement anticipated within a period of two months from the date of the Minister’s Letter of Offer.

The Minister’s Letter of Offer may also include a requirement that the Applicant secure funding from Participants and other sources over the life of the Project within an agreed period (if not already committed). The Minister’s Letter of Offer may also list other conditions of funding.

Note: A successful Applicant who is issued a Minister’s Letter of Offer is not eligible to receive any payment of funds under the Program until the funding from Participants and other sources has been secured to the satisfaction of the Department and a Funding Agreement has been executed.

Details of the successful Applicants and a summary of their Projects will be publicly available on State Government websites after the public announcement of the relevant Project by the Government.

Attachment B – Expenditure Guidelines

Eligible Expenditure

Eligible expenditure includes:

- expenditure related to the raising of funding for the Project, or the implementation of consortia, joint ventures or other partnership arrangements related to the Project;
- unfunded activities part of co-funding for Commonwealth funded projects;
- contract expenditure in relation to contracts entered into by the Applicant with other parties for the purposes of undertaking the activities required for the Project (subject to the ineligible expenditure constraints below);
- labour expenditure (salaries/wages) including reasonable on-costs for personnel directly employed on the Project, but excluding profit mark-ups. Labour on-costs include worker's compensation insurance, employer contributions to superannuation, recreation and sick leave, long service leave accrual and payroll tax;
- administrative expenses including communications, accommodation, computing facilities, travel, recruitment, printing and stationery, where directly related to the Project;
- plant/site expenditure such as rent, light and power and repairs and maintenance directly related to the Project;
- expenditure related to legal, audit and accounting costs related to the Project;
- interest expenditure on Clean Energy Finance Corporation loans for new capital items purchased for the Project for up to four years;
- expenditure such as relevant license fees or intellectual property purchase or licence costs, where the Applicant needs to access specific technology in relation to the Project;
- expenditure related to the obtaining of approvals associated with the Project may be allowable with prior approval from the Department; and
- In-kind Contributions related

Ineligible Expenditure

Ineligible expenditure includes, but is not limited to:

- expenditure related to the general operations and administration of the Applicant that the Applicant could reasonably be expected to undertake in the normal course of business;
- expenditure in relation to activities that are part of the Project but are funded by other Government funding, which would lead to the Commonwealth and/or State Government funding the same activity more than once;
- building websites, marketing, sales and promotional activities (without prior approval from the Department);
- Pre-Commercial activities, other than the integration, evaluation and testing of commercial-ready technologies and processes that at the end of the Project will be commercial;
- making donations;
- undertaking commercialisation activities, such as sales promotion;
- intellectual Property protection, maintenance, defence or enforcement and legal fees developed through the Project; and
- expenditure that does not directly support the achievement of the planned outcomes of the Project, or is contrary to the spirit or intention of the Program.

General Expenditure Principles

The following general principles apply in the consideration of eligible expenditure:

- generally accepted Australian accounting principles are to be followed, and it must be possible to track expenditure relating to the Project through the Applicant's company accounting systems;
- eligible expenditure is expenditure directly related to the undertaking of eligible Project activities – eligible activities are those activities necessary to conduct the Project, as set out in the Project plan, opportunity costs, that is expenditure related to foregone production and downtime arising from the allocation of resources to the Project are not eligible expenditure;
- related party transactions must be treated on an at cost basis, without mark-up, unless it

can be demonstrated that the transaction has been calculated on an arms-length basis;

- expenditure is not eligible if undertaken prior to the signing of the Funding Agreement, or after the specified completion date, unless specifically authorised by the Department;
- eligible expenditure is calculated net of GST basis. GST is then added to the grant payment, unless otherwise instructed by the Applicant;
- where there is any inconsistency in relation to whether expenditure is eligible or ineligible, the expenditure will be deemed to be ineligible to the extent of the inconsistency, unless otherwise agreed with the Department; and
- funds will be available for each Project until the completion of the project as stipulated in the Funding Agreement which will be before June 30, 2021.

Comments on Expenditure Items

Labour

Eligible labour expenditure is the gross amount paid or payable to an employee of the Applicant. An employee is a person who is paid a regular salary or wage, out of which regular tax instalment deductions are made.

Eligible salary includes any components of the employee's total remuneration package which are itemised on their Pay As You Go Annual Payment Summaries submitted to the ATO.

It is expected that, in a reporting context, the Applicant be able to demonstrate, by reference to appropriate records such as timesheets, job cards or diaries, the amount of time spent on approved activities by each employee. Labour costs cannot be claimed based on an estimation of the employee's worth to the Applicant, where no cash has changed hands.

Contract Expenditure

Eligible contract expenditure is the cost of any agreed Project activities performed for the Applicant by another organisation. All Project work to be performed must be the subject of a written contract (for example, a letter or purchase order) which specifies the nature of the work to be performed for the client and the applicable fees, charges and other costs payable. The written contract must be entered into prior to commencement of the work undertaken under the contract.

For major items of contract expenditure (for example, purchases of major items of hardware to be incorporated in the Project), Applicants will be expected to have some form of documentary evidence such as written quotes from suppliers, to substantiate the expenditure included in the Proposal.

Where the contractor and the Applicant are not at 'arm's length', the amount assessed for work performed will be an amount considered to be a reasonable charge for the work and contain no unacceptable overheads and no element of 'in-group profit'. Organisations considered not at 'arm's length' include related companies and companies with common directors and/or significant shareholders.

Overseas Expenditure

Items of overseas expenditure must be detailed when submitting the Proposal. Following execution of a Funding Agreement, overseas expenditure may be subject to approval by the Department as set out in the Funding Agreement.

Accounting Systems

Applicants are required to have in place suitable accounting systems that comply with Australian standards to provide assurance that the system allows for the separate accurate identification of eligible and ineligible Project expenditure and that a clear audit trail is available.

Attachment C – Financial Security

The Department funds projects on the basis that the Project will be completed in accordance with the applicable Funding Agreement and has a right to require the repayment of funds in certain circumstances under the applicable Funding Agreement. Consequently, cash contributions paid by the Department before Project completion may need to be backed by appropriate security.

Applicants will be required to provide evidence of the financial status and viability of the Applicant and Participants as follows:

- I. Current financial statements and prior financial statements (preferably audited) over the previous three years (as per the relevant Lead Organisation criteria set out in section 4.1).

If security is required, please note that:

- a) any bank guarantee would need to be issued by an entity with a AAA (Standard and Poor's) credit rating in an amount of at least the amount of the grant and provide the Department to draw down on the guarantee on demand, with notice being the only condition;
- b) any payment guarantee would need to be on terms acceptable to the Department and provided by an entity or entities which the Department considers to be sufficiently creditworthy to cover the Applicants payment obligations under the Funding Agreement (as a minimum, BBB+ from Standard and Poor's or the equivalent rating from Moody's or Fitch); and
- c) any performance guarantee would need to be on terms acceptable to the Department and provided by an entity or entities which the Department considered to have the capability of performing the Applicants obligations (including the creditworthiness to cover the Applicant's payment obligations) under the Funding Agreement.

This list is not exhaustive of the types of security that may be required. For example, a charge over certain assets of the Applicant (on terms and conditions acceptable to the Department) may be required in some cases.

