1. **Q. How does a competitive auction work?**  
   **A.** Renewable energy project proponents will bid for long-term Support Agreements needed to assist in making their projects commercially viable. Projects will be assessed against formal evaluation criteria that take into consideration not only price, but value for money for the State of Victoria. This will include the project’s contribution to local economic development, best practice community engagement, benefit sharing and job creation, the project’s impact on the electricity network infrastructure and the capacity and capability that ensure the project will be delivered. Projects providing the best value for money will be selected to enter into a Support Agreement with the State.

Bids for this auction will be received through a formal Request for Proposal (RFP) and all eligible proposals received will be assessed by an independent assessment panel.

2. **Q. How large will this auction be?**  
   **A.** Up to 650 MW of capacity will be made available through this auction. Support will be offered for up to 550 MW of large scale renewable energy generating systems based on wind, solar or other energy sources declared by the Minister, and for up to 100 MW of large scale solar-specific renewable energy.

This is to ensure that Victoria supports the emerging large-scale solar industry and a diversity of renewable energy generation.

3. **Q. How many auctions will there be after the 2017 auction?**  
   **A.** The Government will not be releasing a full schedule of auctions at this stage.

The *Renewable Energy (Jobs and Investment) Act 2017 (Vic)* requires the Minister for Energy, Environment and Climate Change to determine the capacity required to meet the 2020 Victorian Renewable Energy Target by 31 December 2017. The minimum capacity needed to achieve the 2025 target will be determined by 31 December 2019.

The Government will determine whether further auctions are required to meet these minimum capacities at a later date, based on market and national policy conditions.

4. **Q. What is the Victorian Government’s position on the Federal National Energy Guarantee (NEG) Scheme?**  
   **A.** The Victorian Government looks forward to working collaboratively with the Commonwealth Government to ensure national energy policy secures the best outcomes for reliability, affordability, security and emissions reduction.

The Victorian Government is awaiting more detail around the design and key features of the NEG before it can determine whether it will support the Guarantee.

5. **Q. How could the VRET and auction work with the NEG?**  
   **A.** The Victorian Government does not yet have enough information on the design and key features of the NEG to assess how it would work with the VRET.
Ensuring that the NEG is compatible with the VRET will be a key priority for the Victorian Government. The Government will work with the Commonwealth and other jurisdictions in further developing the NEG over the coming months.

### Payment and revenue mechanisms

**6. Q. What is the payment mechanism?**

**A.** Under a Support Agreement, successful proponents will be paid through a Hybrid payment mechanism, which is a mix of a variable contract-for-difference payment (CfD) and a fixed Base Amount.

The first component of the payment mechanism is the two-way CfD payment, which will be paid on a monthly basis. Under this mechanism, the State will set the CfD strike price (‘Contract Price’) for the CfD (i.e. variable) component in the form of $/MWh of eligible electricity generated. The CfD strike price has been set with an expectation of neutrality over the term of the contract as between payments to the State and payments by the State to the proponent. The strike price for eligible technologies is detailed in the Request for Proposal (RFP).

The second component of the payment mechanism is the Base Amount payment, which will be paid on an annual basis in the form of $/MW/year. Under this mechanism, proponents will bid into the auction for the Base Amount. The Base Amount is intended to contribute towards the capital costs of a project, in addition to the CfD strike price which as outlined above has been set with the expectation of being payment neutral and provides a mechanism for proponents to manage financial risk.

**7. Q. How does the CfD component of the payment mechanism work?**

**A.** Under the CfD payment, for each MWh of eligible electricity, the payment owed will be calculated through the difference between the set CfD strike price and the price of that MWh in the wholesale market, in the relevant wholesale market pool. The State will owe a successful proponent the difference, where the price of the MWh is below the CfD strike price. However, when the price of the MWh is below $0/MWh in the wholesale market pool, the State will only pay the amount between the CfD strike price and a $0/MWh floor price. In contrast, the proponent will owe the State the difference, where the price of the MWh is above the CfD strike price.

As this is a two-way CfD, a successful proponent will owe the State where the price of the MWh is above the CfD strike price in the wholesale market pool.

Amounts payable will be determined for each 30-minute trading interval, which will be aggregated, and the net amount owed, paid monthly in arrears.

**8. Q. What happens if the National Electricity Market’s 30-minute trading interval rule changes?**

**A.** Under the Support Agreement, in the case of a Market Disruption Event, such as a change in the trading interval, the Support Agreement provides for the parties to negotiate in good faith an appropriate adjustment to the Contract Price and any other appropriate amendments to the Support Agreement, i.e. to preserve the operation and effect of the Support Agreement and the relative position of the parties. Further detail is included in the RFP Package.

**9. Q. Why is the Government setting the Contract-for-Difference (CfD) strike price as part of the auction, instead of industry bidding in a strike price?**

**A.** While the hybrid payment mechanism is a departure from the traditional pure-CfD model, it still retains a CfD component, and has been designed in such a way to ensure more control for Government over State budgeting requirements through the fixed payment component.

**10. Q. Will there be a specific CfD strike price set for each specific technology and at what price will this be set?**
A. Yes. As different technologies have different generation profiles, the Government has set a specific CfD strike price for specific technologies based on wholesale price forecast over the term of the Support Agreement.

11. Q. Will there be a floor price for the CfD?
   A. Yes. There will be a $0 per MWh floor price incorporated into the CfD component of the payment mechanism. The floor price will minimise the State's financial exposure during negative wholesale price periods.

12. Q. Will there be a cap on payments?
   A. Yes. Payments made under the Support Agreement will be subject to a Payment Cap. The Payment Cap will include all Base Amount payments and net CfD payments over the life of the Support Agreement.

   Once a project’s Payment Cap is reached, no further payments will be made by the State to that project until any net CfD payments made to the State result in the cumulative net amount paid being below the Payment Cap.

   Clauses detailing of the operation of the Payment Cap are set out in the RFP and Support Agreement.

13. Q. Why is the Government setting a Payment Cap?
   A. While supporting investment in renewable energy projects, the purpose of this payment feature is to limit Victorian taxpayers’ exposure to variability in the wholesale electricity market.

14. Q. What will proponents bid for?
   A. In the RFP, the Government is asking proponents to bid the minimum Base Amount and minimum Payment Cap they would require to support their project.

   Proponents wishing to bid in the auction are asked to submit these bids under the following two conditions.

   1. In the case that Large-scale Generation Certificates (LGCs) are transferred to State over the term of the Support Agreement:
      • A Base Amount ($/MW/year)
      • A Payment Cap ($)

   2. In the case that LGCs are retained by the Proponent over the Support Agreement:
      • A Base Amount ($/MW/year)
      • A Payment Cap ($)

   These bids should be in real dollars as at 30 June 2017.

   The Proponent's bid price in respect of the Base Amount and Payment Cap, and its performance against the Evaluation Criteria, are the key consideration to determine the Proposal that offers the best value for money for the State.

The Support Agreement, interaction with the Federal RET and interaction with other legislation.

15. Q. How long will the Support Agreement be?
   A. A Support Agreement will be for a length of 15-years under the 2017 auction.

16. Q. How will the 2017 auction interact with the Federal Renewable Energy Target (RET)?
A. Consistent with previous Victorian Government announcements that the Victorian Renewable Energy Target will be complementary to the Federal RET before 2020 and additional after 2020, successful projects under the auction will be able to be complementary with the Federal RET. This complementarity is intended to overcome any continued uncertainty around the Federal RET and contribute to its achievement in 2020.

Proponents intending to participate in the auction will be required to have the ability to commence commercial operations in or prior to September 2020.

17. Q. How will LGCs be treated under the proposed auction?

A. Complementarity with the Federal RET will be available through two LGC treatment pathways, whereby the Government will request that two sets of bids related to the Base Amount and Payment Cap are presented, where:

- one set includes the bundled transfer of all LGCs from projects to the Victorian Government, which will then be traded by Government, and;
- one set includes no transfer of LGCs from projects to the Victorian Government, in which case LGCs can be traded by successful proponents.

The State will select its preferred LGC treatment pathway from each project based on an overall value for money assessment.

18. Q. What will the Government do with the LGCs it receives through the auction, and the associated revenue?

A. During the period in which the VRET is complimentary to the Federal RET, any value recouped from LGCs transferred to Government and re-sold into the market will contribute to the State's revenue.

The Treasury Corporation of Victoria (TCV) will be responsible for trading any LGCs transferred to the Victorian Government.

Under current national policy settings, projects incentivised by the VRET, that reach commercial operations after 2020, will be additional to the Federal RET and LGCs from those projects will be voluntarily surrendered to the Clean Energy Regulator.

19. Q. What happens if the Federal RET is repealed?

A. The agreed Base Amount bid price provided in the proponent’s RFP proposal and the Government’s set CfD strike price, as reflected in the Support Agreement, will not be adjusted in the event that the Federal RET is repealed. Additionally, any LGCs that are required to be transferred to the Government, but cannot be due to the repeal of the Federal RET, will not incur a penalty. This is intended to provide the proponent price certainty in the event of policy change.

20. Q. What happens if there is another change in law, other than repeal of the Federal RET, or a change in the design of the NEM?

A. The Support Agreement contains provisions to address impacts on the State and Proponent in the event that there is a change in law or change in the design of the NEM. The Support Agreement provides for a risk sharing approach to change in law, and for major structural change such as the design of the NEM, and allows for good faith negotiations to preserve the intended operation and effect the agreement.

21. Q. What will happen if the Renewable Energy (Jobs and Investment) Act 2017 (Vic), is repealed or amended?

A. The Support Agreement is a commercial contract that is not directly reliant on the Act. In particular, the payment mechanism is incorporated into the Support Agreement and is not legislated or dependent on the Act. Support Agreements signed under the 2017 auction, are therefore intended to be protected from any repeal or amendments to the Act.
22. Q. How will the auction and VRET interact with a national Clean Energy Target (CET) if such a scheme is introduced?
A. If the Federal RET is repealed and replaced by a CET, proponents that have been successful at auction and signed a Support Agreement with the State that includes the transfer of LGCs, will be required to transfer any certificate or credit they are eligible for under the CET to the Government.

The Victorian Government will review any other interactions between VRET auctions and a potential CET once details of any such CET policy have been finalised. The Government is supportive of strong policy at the national level, yet will ensure the VRET targets can be met under all future policy.

The Victorian Government’s intention is to provide sufficient investment certainty for enough industry projects to be established in Victoria to achieve the VRET targets.

Eligibility

23. Q. Who will be eligible to participate in the auction?
A. The auction is intended to bring forward investment in new renewable energy generation capacity. This means only new projects, including those which have not yet reached financial close, may bid, noting that some preliminary works may have commenced for the purposes of retaining planning permits. Expansions of existing projects, proportions of new projects and specific stages of a larger project will also be eligible. Other eligibility criteria include, but are not limited to:

- The requirement for projects to have a renewable energy generating system based on wind, solar or other energy sources declared by the Minister.
- The requirement for projects to be connected to the National Electricity Market (NEM) at a single connection point and:
  - be no less than 10 MW nameplate capacity at its point of connection to the NEM,
  - have already registered, or have commenced registration with AEMO, as an Intending Participant or as a Registered Participant; and
  - have submitted a complete Connection Application to the connecting Network Service Provider, including completed grid connection studies.
- The requirement for a live planning permit from the relevant authority.
- The requirement for the project’s generating system to commence commercial operations in, or prior to, September 2020.
- The requirement for a minimum of 10% of a project’s Total Estimated Labour Hours, to be undertaken by Apprentices, Trainees, or Engineering Cadets under the Major Projects Skills Guarantee (MPSG).
- The requirement for the proposal to demonstrate local community support by satisfying the standards of the ‘involve’ spectrum level of engagement as described in the Community Engagement and Benefit Sharing Guide in the RFP.

Participation is also conditional on the proponent meeting other mandatory criteria, which are set out in more detail in the RFP.

24. Q. Why is Community Engagement an eligibility criteria?
A. The Victorian Government considers that Community Engagement is crucial in ensuring the overall success of a project, in mitigating risks, and in achieving the best outcomes for the Proponent, the State, the local community and Victorians more generally. As such, the Victorian Government intends to ensure that a minimum standard in this field is achieved by proponents before their projects are formally evaluated. A proponent’s community engagement and benefit sharing approach will therefore need to meet the associated eligibility criteria, and will also be assessed further through the evaluation criteria.
Therefore, a proponent must first meet the minimum eligibility requirement associated with an ‘involve’ spectrum level of engagement, as outlined in the RFP. Projects that proceed to the evaluation stage will then be assessed on how much they exceed this benchmark set in the eligibility criteria.

25. Q. Why must projects have registered, or have commenced registration with AEMO and submitted a complete connection agreement to the connecting Network Service Provider, including completed connection studies?
   A. Proposed projects must be connected to the NEM to allow the associated generation to contribute towards the VRET. This is a critical element of the scheme, and the Victorian Government wants to ensure that there is a minimum progress standard achieved by proponents, before they are considered under the evaluation criteria.

26. Q. Will successful projects be required to be located in Victoria?
   A. The auction seeks proposals for any new generation that contributes to the National Energy Market, however each submission will be evaluated against a range of criteria to ensure that jobs, investment, and new supply chain elements are of direct benefit to the State of Victoria.

27. Q. What kind of planning permission is required?
   A. Project Proposals will be required to have a live Planning Permit from the relevant authority.

   Proposals will be required to have a live planning permit, or equivalent approval (if no planning permit is required) for all components of a project. Evidence must be provided of live planning permit(s) that cover the project itself and the power lines and other infrastructure to connect the project to the network, if a planning permit(s) is required.

   If a permit(s) is not required for transmission, Proponents must demonstrate that other approvals are in place, e.g. easement corridors, connection suite of approval, and native vegetation removal for the project and the power lines.

   Progress towards obtaining Endorsed Documents for Planning Permits, and other significant approvals and permits, will be assessed at the evaluation stage.

   Participation is also conditional on the proponent meeting other approval requirements, which are set out in more detail in the RFP.

28. Q. If a project has a planning permit, but it is currently being updated to increase the number or size of generators, is the project eligible?
   A. Projects in this stage of a planning process will be ineligible to participate in the 2017 auction. A live planning permit must correspond to the exact details of the project that is bid into the auction.

29. Q. Are existing projects that are already under construction eligible?
   A. The 2017 VRET auction is designed to bring forward investment in new renewable energy generation capacity in addition to that already under construction.

   The eligibility criteria ensures that only new projects including those which have not yet reached financial close may bid, noting that some preliminary works may have commenced.

30. Q. What is the definition of a new project?
   A. A new renewable energy generation project is defined as a project yet to reach financial close, i.e. finance has not been secured and unconditional board approval has not been obtained. The project must not have substantially commenced construction or commenced the order of or installation of major equipment.
31. Q. Can a project being built in stages bid into this auction for one or more of its stages?
   A. Similar to expansions or augmentations of existing facilities, a proponent may bid into the auction for a stage of a larger project. That stage will be considered as a single project for the purposes of the auction and the Support Agreement.

   Therefore, it must meet all other eligibility criteria, including the requirement for electricity metering arrangements to allow for clear distinction between each stage of the original larger project. The stage must also have a live planning permit, and must not have reached financial close.

32. Q. Will projects with other partial PPAs or partial offtake agreements still be eligible?
   A. Yes. Proponent's may have additional financial instruments in place, other than the Support Agreement, to support financing of the Facility, as long as they meet all eligibility criteria set out in the RFP.

33. Q. Is there a minimum or maximum size for projects?
   A. Yes, there will be a minimum capacity size of 10 MW in the 2017 auction to ensure ease of administration and to minimise auction costs. This will also ensure that the auction does not unnecessarily exclude smaller renewable energy projects.

   The Victorian Government has other initiatives to support projects under 10 MW, such as the New Energy Jobs Fund.

   There will not be a maximum capacity requirement for the 2017 auction.

34. Q. Will commercial and industrial-scale solar projects be eligible?
   A. Commercial solar will be eligible so long as it adheres with the eligibility criteria set out in the RFP. In particular, such projects must meet the requirement for proposals to come from a single legal entity, for projects to be connected to the NEM at a single connection point and for projects in aggregate to be 10 MW or above.

35. Q. What technology is eligible for the auction?
   A. The total maximum generation capacity in respect of which Support Agreements will be entered into by the State under this auction is up to 650 MW. Under this auction, support for up to 100 MW of new renewable energy generation capacity will be reserved specifically for large-scale solar electricity projects. Support for up to 550 MW of new generation capacity will be offered for projects, as defined in the Renewable Energy (Jobs and Investment) Act 2017:

   I. Solar;
   II. Wind; and
   III. Energy sources declared by the Minister.

   Should proponents believe there is a technology, based on renewable energy source other than wind and solar, that can successfully meet all eligibility criteria, they are encouraged to contact the Department. The Department will then consider whether to advise the declaration of another renewable energy source in alignment with the Renewable Energy (Jobs and Investment) Act 2017.

36. Q. Can a project with generating system(s) based on multiple renewable energy sources bid in to the auction?
   A. Projects with generating system(s) based on multiple eligible renewable energy sources are eligible to participate in the auction. Successful Projects with generating systems based on multiple renewable energy sources will be offered one CfD strike price. The CfD strike price will be associated with the generating system and renewable energy source with the lowest Strike Price.

37. Q. Will battery storage be included in this auction?
A. There is no specific allocation for battery storage for the 2017 auction. However, Projects that help contribute to network stability will be favoured in the evaluation process. Proponents are welcome to include a battery storage element in their submission, provided it meets all the requirements as set out in the RFP.

Evaluation

38. Q. Who will evaluate projects under the auction?
   A. An independent and external evaluation panel will be established to evaluate auction bids in accordance with the evaluation criteria.

39. Q. How will projects be evaluated in the auction?
   A. Projects will be assessed against formal evaluation criteria that take into consideration not only price, but value for money for the State of Victoria. This will include the project’s financial and technical viability, contribution to local economic development and job creation, best practice community engagement and benefit sharing and the project’s impact on network infrastructure.

Projects providing the best value for money will be selected to enter into a Support Agreement with the State.

40. Q. What criteria will projects be assessed on?
   A. The Proponent’s price bid in respect of the Base Amount and Payment Cap, and its performance against the Evaluation Criteria, are the key consideration to determine the Proposal that offers the best value for money for the State.

While the primary variable in the determinant of value for money is the project proposal price bids, other important factors need to be incorporated across the evaluation criteria to properly address the wider objectives of the VRET, achieve value for money for the State of Victoria and ensure projects are in line with the current and future state of the NEM. Proponents will therefore also be evaluated on following five criteria:

1. Financial capacity and commercial viability
2. Technical capability and viability,
3. Economic development,
4. Community engagement and shared benefits, and,
5. Impact on existing electrical network infrastructure.

41. Q. What weightings do the evaluation criteria have?
   A. Technical capability and viability and financial capacity and commercial viability are weighted at 25% each of the evaluation process. This is to reflect their critical importance in ensuring that projects can be built and contribute to the VRET.

Economic development is also weighted at 25% reflecting the importance of developing a renewable energy industry, attracting investment and creating jobs in Victoria.

Community engagement and shared benefits is weighted at 15%. There is also a minimum benchmark of community engagement included in the eligibility criteria.

The Project’s impact on existing network infrastructure is weighted at 10%.

42. Q. What is the relative importance of the proponent’s price bids in the scoring of a project?
   A. Value for money will determine what projects are successful in the auction process. Value for money is determined by a number of factors, including price bids, but also by a project’s performance in the
evaluation criteria. Successful projects may not necessarily be the cheapest, but they will offer the best value for money as determined by the scoring process.

Consequently, projects with lower bid prices in conjunction with good scores in the evaluation criteria will generally offer the best value for money.

43. Q. Does the Victorian Industry Participation Policy (VIPP) apply to the 2017 auction?
   A. Proponents are required to comply with VIPP Strategic Project Framework. Strategic Projects are projects with a total project value of $50 million or more, excluding maintenance and operational costs. Strategic Projects are subject to rigorous local content requirements to help drive additional economic activity and jobs.

   To assess how a Project will meet VIPP’s requirements, Proponents will be required to attempt and meet local content figures of 64% for wind and solar projects, however it is not an eligibility criteria. Projects will be scored higher if they can exceed the local content figure.

44. Q. Does the Major Project Skills Guarantee (MPSG) apply to the 2017 auction?
   A. Proponents are required to comply with the MPSG. Under the MPSG, all principal contractors awarded contracts for State-funded building, construction, infrastructure, civil engineering and other capital projects, which have a pre-tender estimated value at or over $20 million (inclusive of GST) must utilise Victorian registered apprentices, Victorian registered trainees or engineering cadets for at least 10% of the project’s total estimated labour hours.

   To assess how a Project will meet MPSG’s requirements, proponents shall submit a MPSG Compliance Plan.

45. Q. Do proponents have to submit a Local Investment Plan (LIP) or make capital investment propositions?
   A. The LIP captures the value-added opportunities which sit outside the scope of the renewable energy facility bid in to the auction.

   Proponents should submit a Local Investment Plan using the Local Investment Guide provided as part of the RFP, outlining their commitment and approach to increasing capital investment in the renewable energy industry, manufacturing and associated industries in Victoria, outside of the renewable energy facility bid into the auction.

Governance

46. Q. Who will sign support agreements issued under the 2017 auction?
   A. The Support Agreement will be signed by the Minister for Energy, Environment and Climate Change on behalf of the State of Victoria.

47. Q. Who will administer the Support Agreement?
   A. The Support Agreement will be administered by the Department of Environment, Water, Land and Planning (the Department). Any trading of LGCs will be administered by the Treasury Corporation of Victoria (TCV).

48. Q. Who will be assessing the responses received by the Department?
   A. An independent assessment panel will be established to evaluate auction bids in accordance with the evaluation criteria, which will help determine successful projects.

49. Q. Who will proponents report to across the life of the Support Agreements?
   A. Successful project proponents are required to report to the Department throughout the life of the project.
Timing

50. Q. How long will proponents have to respond to the RFP?
   A. Project proponents will have three months to submit a response to the RFP. The closing date is 14 February 2017.
   
   A full timeline is included in the RFP package.

Legislation

51. Q. What are the functions of the Renewable Energy (Jobs and Investment) Act 2017 (Vic)?
   A. The Renewable Energy (Jobs and Investment) Act 2017 (Vic) (the Act) legislates the Victorian Renewable Energy Targets (VRET), requiring that 25 per cent of electricity generated in Victoria will come from renewable energy sources by 2020 and 40 per cent by 2025.

   The Act requires the Minister for Energy, Environment and Climate Change to determine the minimum amounts of renewable energy generation capacity needed to meet the 2020 and 2025 targets.

52. Q. What technologies are considered ‘renewable’ under the Act?
   A. The Act defines renewable energy sources for the purposes of the VRET as wind, solar or an energy source declared by the Minister for Energy, Environment and Climate Change. The Minister may determine additional renewable energy sources under the Act by notice published in the Government Gazette.

53. Q. How much renewable energy capacity is required to meet the legislated targets?
   A. The Act requires the Minister for Energy, Environment and Climate Change to determine the capacity needed to meet the 2020 Victorian Renewable Energy Target by 31 December 2017. The minimum capacity needed to achieve the 2025 target will be determined by 31 December 2019.

   Current modelling conducted by the Department indicates that up to 1500MW of new renewable generation is needed to meet the 2020 target. Between 3,400MW and 5,150MW is needed to meet the 2025 target. This modelling is dependent on a range of assumptions, including electricity demand and supply forecasts.