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| **Large Energy User Electrification Support Program**  Expressions of Interest (EOI)  Supplier Guidelines |

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| Acknowledgment  We acknowledge and respect Victorian Traditional Owners as the original custodians of Victoria's land and waters, their unique ability to care for Country and deep spiritual connection to it. We honour Elders past and present whose knowledge and wisdom has ensured the continuation of culture and traditional practices.  We are committed to genuinely partner, and meaningfully engage, with Victoria's Traditional Owners and Aboriginal communities to support the protection of Country, the maintenance of spiritual and cultural practices and their broader aspirations in the 21st century and beyond. |
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The Program

The purpose of this Expression of Interest (EOI) Supplier Guidelines is to set out the objectives of the Department of Energy, Environment and Climate Action’s (DEECA) Large Energy User Electrification Support program (Program) and detail the eligibility, assessment criteria and application process to become an Approved Supplier for the Program.

The Program will provide funding for electrification feasibility assessments (Projects) to Victorian commercial and industrial businesses that use between 10 and 100 terajoules of gas per annum (Eligible Facilities). Only Approved Suppliers will be eligible to undertake Projects, in conjunction with the Eligible Facilities.

The Projects will identify electrification opportunities and provide a business case for Eligible Facilities to transition some of their fossil-gas use to electricity. Business cases will include information on available incentives for ‘Project Based Activity’ (PBA) upgrades under the Victorian Energy Upgrades (VEU) program.

DEECA invites experienced, suitably qualified and committed suppliers to apply to become an Approved Supplier eligible to undertake Projects for Eligible Facilities under the Program described in these Guidelines.

DEECA and Sustainability Victoria will promote the Program and undertake engagement with Eligible Facilities to ensure appropriate uptake of this targeted program. DEECA will also publish a list of Approved Suppliers on the Victorian Energy Upgrades and Sustainability Victoria websites.

Approved Suppliers will also be permitted to support Eligible Facilities to apply for Program funding.

Background Information

## Victorian Energy Upgrades program

Victorian Energy Upgrades reduces emissions and lowers energy prices for all Victorians.

The Victorian Energy Upgrades (VEU) program was established under the *Victorian Energy Efficiency Target Act 2007* to reduce greenhouse gas emissions in Victoria, encourage the efficient use of electricity and gas, and invest in industries that provide energy demand management technology and services. The VEU program provides incentives for residential and business consumers to reduce their energy use by upgrading appliances, processes, or buildings.

Energy savings from the VEU program are expected to reduce Victorian electricity consumption by 7% in 2025 and avoid $3.8 billion in energy system costs.

The VEU program works by creating financial incentives for households and businesses to undertake energy saving activities. When accredited businesses (known as accredited providers) undertake eligible energy efficiency activities in homes or businesses, they create Victorian Energy Efficiency Certificates (VEECs). Each VEEC represents one tonne of greenhouse gas emissions saved over the lifetime of the activity or product installed. VEECs can then be sold to energy retailers who must meet an emission savings target each year based on their annual electricity and gas sales.

The VEU program includes energy saving activities for both households and businesses. Activities currently available in the program include water heating upgrades, space heating upgrades, building shell upgrades such as weather sealing, and the installation of in-home displays.

Project-based activities (PBAs) unlock incentives for large and custom VEU projects suited for commercial and industrial businesses. PBAs allow businesses the flexibility to access incentives and offset costs through a more bespoke approach to energy efficiency improvement. PBAs have seen an average annual increase of over 50 per cent since they launched in 2018.

## What is gas substitution and electrification?

Gas substitution is the removal of equipment and processes that consume fossil gas such as natural gas or liquified petroleum gas and replacement with alternatives. It can include:

* Electrification – that is replacing equipment that uses gas, with equipment that uses electricity. This can be done with heaters and hot water units for example. Some of this electricity equipment is much higher efficiency than the existing gas equipment – meaning both efficiency and substitution is achieved.
* Fossil gas alternatives such as biomethane or hydrogen.

Electrification projects, such as installing a new efficient electric unit instead of replacing a new gas unit, may have high capital costs, however, many electrification projects can pay for themselves over short timeframes. Through electrification projects, businesses can harness benefits including:

* Reduced energy consumption, achieved through an increase in efficiency by switching from gas to efficient electric appliances.
* Reduced exposure to gas price volatility.
* Reduced overall energy costs.
* Reduced greenhouse gas emissions of their facility.
* Greater understanding of the operational and financial aspects of a facility’s significant energy use.
* Greater understanding of the business case for electrification that includes net present value and payback period.

Industrial gas substitution projects may require more detailed assessment of the financial and technical viability of the replacement.

Gas efficiency and substitution projects may require planning and detailed design. If designed well, these projects can achieve strong investment returns and can also demonstrate a strong organisational commitment to innovation and to reducing greenhouse gas emissions and energy costs.

This Program is supporting electrification activities specifically, and activities involving substitution of fossil gas with renewable gas and hydrogen are excluded.

## Rapid electrification a key energy transition priority among Victorian businesses

Electrification and energy efficiency offer the most immediate, least-cost opportunities for reducing gas consumption. Electrification will be required to meet Victoria’s 2030 emissions target and to achieve net zero emissions by 2045.

The majority of Victoria’s fossil gas is used for space heating and hot water in residential and commercial buildings. However, industrial applications make-up approximately 30 per cent of Victorian gas usage, which is also a key area for electrification opportunities.

Moving decisively to electrify industrial uses where cost-effective alternatives exist offers significant opportunities to reduce gas consumption in the short term, helping to maintain reliability of supply for gas uses across the economy. This in turn will put downward pressure on prices, while renewable alternatives are developed for these ‘harder to electrify’ uses.

The Victorian government has already taken an important first step in electrification by announcing that from 1 January 2024, new residential buildings requiring a planning permit will no longer be allowed to connect to the reticulated gas network. This signals the government’s clear policy intent to limit the continued growth in fossil gas consumption and continued expansion of the network, on a pathway towards reducing Victoria’s overall reliance on fossil gas.

In addition, The Victorian government is continuing to assist Victorian households to improve energy efficiency and switch to efficient electric appliances through a range of programs including the Residential Efficiency Scorecard, comprehensive online information and advice through Solar Victoria and Sustainability Victoria, as well as financial assistance provided through Solar Homes and Victorian Energy Upgrades program.

# The Large Energy User Electrification Support Program

## Program Overview

The Large Energy User Electrification Support Program (the Program) will provide electrification feasibility assessments (Projects) to Victorian commercial and industrial businesses that use between 10 and 100 terajoules of gas per annum.

The Program will help drive electrification in the commercial and industrial sectors, reduce energy use, emissions and energy costs and build industry capability. For these businesses, electrification of select processes, operations or equipment can deliver benefits including energy cost savings, reduced greenhouse gas emissions, reduced exposure to gas price fluctuations, reduced exposure to gas supply constraints and opportunities to utilise renewable electricity.

## Program Objectives

The Program aims to achieve the following outcomes:

* Acceleration of commercial and industrial electrification.
* Strengthened access to VEU incentives for businesses wishing to undertake bespoke upgrades.
* Increased understanding of how business facilities currently exempt from the VEU program may save on energy bills and emissions by opting into the VEU.
* Enhanced industry capability in commercial building and industrial process electrification.
* Enhanced ability of businesses to identify pathways to reduce greenhouse gas emissions associated with energy use at their facility.
* Acceleration of Victorian Energy Efficiency Certificate creation under the VEU program.

## Program Deliverables

Approximately 35 electrification feasibility assessments at eligible commercial and industrial facilities (Projects) will be delivered by Approved Suppliers as part of the Program. Selection of these Projects will consider diversity of business sector, geographic region and technology types in funding awarded to Approved Suppliers.

Under the Program, Projects will be required to include all of the following:

* Assessment of electrification feasibility for up to four gas-fired technologies or processes that are significant contributors to the Eligible Facility’s gas consumption (refer Section 3.7 for more details on Eligible Technologies).
* Site process and energy (gas, electricity, other fuels) consumption map, outlining the Eligible Facility’s significant energy uses and covering the selected technologies for assessment.
* Consideration of ‘payback’ periods in making the business case for electrification of commercial technologies.
* Detail on the value of incentives available for the electrification upgrades under the Victorian Energy Upgrades program.
* An explanation of the process for accessing incentives under the VEU program.

The Projects will provide a foundation for businesses to undertake VEU project-based activities and access VEU incentives.

A more detailed explanation of requirements for a feasibility study and associated report will be provided to successful Approved Suppliers.

## Eligible Facilities

The Program will support Victorian commercial and industrial facilities that use between 10 and 100 terajoules of gas per annum (Eligible Facilities).

Based on information collected by the Department in 2023, at least 135 facilities are estimated to be eligible for the Program. A significant proportion of these facilities are situated in regional Victoria. The Program will be open to facilities that are exempt from the Victorian Energy Upgrades program and those that are already participants.

Facilities that meet the eligibility criteria apply to Sustainability Victoria to receive funding through the Program. Each facility can apply for up to four Eligible Technologies to be assessed by Approved Suppliers. In their application, facilities may select an Approved Supplier. Approved Suppliers may engage with Eligible Facilities that meet the eligibility criteria and support these facilities in applying.

Eligible Facilities must:

* Consent to the publishing of key project information about their business and involvement, i.e. business name, brief description of the project, and amount of grant funding offered.
* Support the Approved Supplier through the delivery of the project including providing information, site access and other internal resources.
* Provide evidence that any Occupational Health and Safety (OH&S), Energy Safe Victoria (ESV), and EPA requirements have been complied with so that the project is undertaken in a safe manner.

Eligible Facilities may be required to contribute to case studies or other promotions about the funded Projects.

## Potential benefits to Eligible Facilities

Eligible Facilities may receive the following benefits from an electrification feasibility study project:

* Greater understanding of opportunities for reducing energy consumption, achieved through an increase in efficiency by switching from gas to efficient electric equipment.
* Greater understanding of opportunities for reducing greenhouse gas emissions of their facility.
* Greater understanding and awareness of incentives available for upgrade opportunities through VEU.
* Greater understanding of the operational and financial aspects of a facility’s significant energy use.
* High quality service and access to technical expertise and support during the Project.
* Business case outlining options for electrification that includes net present value and payback period.

## Eligible Technologies

In order to assist businesses to transition, where possible, away from fossil-gas reliance, the following Eligible Technologies will be the focus of the electrification feasibility assessments. Innovative technologies that may provide electrification solutions to high gas-consuming processes are encouraged.

1. Electrification of heating, ventilation, and air conditioning (HVAC).
2. Heat pumps to replace low temperature gas boilers (<90 °C delivery temperature).
3. Multi-stage heat pump to replace medium or greater temperature gas boilers (>90 °C delivery temperature).
4. Electrification of furnaces, ovens, dryers, reactors and similar gas-fired appliances.

The energy consumption of the technologies selected for assessment must be materially significant to gain approval for the project to commence. Materially significant technologies are appliances or processes that could feasibly reduce a facility’s annual emissions by 3% or greater per year if they were electrified.

Supported projects can also include other technologies as part of the overall feasibility assessment if this supports the business case for aggregated upgrades, however the key focus must remain on electrification technologies that can deliver significant benefits. Applications that propose a project solely focused on other technologies will not be approved. DEECA withhold the right to exclude a proposed technology from the approval of a project if insufficient evidence of its significance to the Eligible Facility is provided.

## What will be funded?

Facilities approved for Projects will receive funding for Approved Suppliers to undertake Projects (refer Section 3.3).

Note that applications from facilities will be assessed in the order in which they are received. Funding will be awarded to successful applicant facilities on a first-come, first-served basis until funding is exhausted.

On approval, an Eligible Facility will engage an Approved Supplier to complete the approved Project.

* Each Project will consist of a number of Eligible Technologies that will be assessed at a particular facility.
* Businesses with multiple Eligible Facilities will need to submit a Project application per facility that they wish to receive an assessment.
* Eligible Facilities will be provided with funding support, established through funding agreements between the facilities and Sustainability Victoria, and these agreements will specify that facilities must engage Approved Suppliers to complete Projects.
* The total Program funding for Projects will be $1.58 million.
* Each Project is eligible to receive up to a maximum of $60,000 funding, in accordance with the funding allocations outlined in Table 1.
* To support travel costs for Approved Suppliers, a Regional Bonus of 10 per cent of total project cost will apply for Projects at facilities greater than 150kms from Melbourne CBD. Total funding for Eligible Facilities accessing the Regional Bonus cannot exceed $66,000.
* Facilities may elect to provide a co-contribution to fund extension of Project services scope beyond the maximum funding allowed with the agreement of the Approved Supplier. Sustainability Victoria must be notified if this is the case. The facility will not receive Project funding above the funding allocations outlined in Table 1, capped at $60,000 (or $66,000 if regional).
* A portion of Project funding may be utilised for metering or sub-metering if required to determine a business case for electrification, with the approval of Sustainability Victoria. This portion must not comprise more than three percent of Project costs.

Each Eligible Technology that is approved as part of a Project will receive funding as outlined in Table 1 below. All values are exclusive of GST.

Table 1: Funding Allocations

|  |  |  |
| --- | --- | --- |
| Eligible Technology | Grant Funding Provided | Regional Bonus\* |
| Electrification of heating, ventilation, and air conditioning (HVAC). | $10,000 | $1,000 |
| Heat pumps to replace low temperature gas boilers. | $15,000 | $1,500 |
| Multi-stage heat pump to replace medium or greater temperature gas boilers. | $20,000 | $2,000 |
| Electrification of furnaces, ovens, dryers, and similar gas-fired appliances. | $25,000 | $2,500 |
| Site process and energy consumption assessment | $4,000 | $400 |

## What will not be funded?

The Program will not fund the following activities:

* Land purchases.
* Capital works (with the exception of some metering activities, if approved).
* Routine or ongoing maintenance activities.
* Where duplicate services are in operation or planned for in a targeted community.
* Recurrent operating costs, for example rent and utility costs, and/or activities establishing expectations of recurring expenses.
* Activities located outside the State of Victoria.

# Applying to become an Approved Supplier

To be eligible to undertake projects for applicant facilities, suppliers must be Approved Suppliers and listed on the published Approved Suppliers List.

## Potential benefits to Approved Suppliers

Approved Suppliers that participate in the Program may obtain the following benefits:

* Enhanced standing and reputation for the delivery of high-quality electrification assessments, demonstrating the value of their services in saving businesses money.
* Opportunities to engage new and existing clients with services critical to the decarbonisation of Victorian commercial and industrial sectors.
* Opportunities to establish relationships with businesses and be positioned to provide further support to the businesses in undertaking upgrades and accessing VEU incentives.
* Enhanced connection with businesses they may not otherwise engage, with promotion of Program and by the Victorian Government.
* Increased capability to deliver VEU PBA and similar services to a wider range of industries.
* Opportunities to support businesses to reduce their reliance on fossil gas while also giving a level of certainty for those businesses with technologies that cannot be electrified.

## Who can apply to become an Approved Supplier?

Suppliers will be required to prove capability and capacity in delivering electrification feasibility assessments and measurement and verification activities at commercial and industrial sites.

Existing VEU Accredited Persons (APs) are already familiar with these requirements in their capacity under the VEU program and are therefore preferred.

Approved Suppliers for this Program will have similar skills and experience as those Accredited Persons (AP) already delivering PBAs. APs support commercial and industrial businesses to access incentives for bespoke energy efficiency upgrades, under the VEU program. The Program will leverage the existing framework for PBA, to encourage facilities to engage with the VEU and to also build AP capability across a wide range of industries.

If Approved Suppliers are not yet APs, the Program may encourage accreditation with the Essential Services Commission.

An Approved Supplier must:

* Be a business that employs people and has a current Australian Business Number (ABN).
* Have demonstrable experience of delivering similar services to those proposed in these Guidelines.
* Be a financially solvent business that has been in operation for a minimum period of two years.
* Hold a minimum Public Liability Insurance of at least $20,000,000.
* Hold Professional Indemnity Insurance of at least $5,000,000.
* The business, and its related entities, must have had no Fair Work Australia, Environmental Protection Authority (EPA) or Victorian Workcover Authority breaches in the past five years, or any such breaches are deemed not relevant or have been satisfactorily managed.

Applicants that have Certified Measurement and Verification Professionals as part of their project team will be regarded favourably.

## Who cannot apply to become an Approved Supplier?

The following organisations are not eligible to become Approved Suppliers:

* Commonwealth, State, or local government entities.
* Educational institutions (including Independent, Catholic, and Government Schools).

# What is the Expression of Interest process?

Expressions of Interest to become an Approved Supplier are submitted online using the Grants Online portal.

To apply, go to Grants Online using the provided link and click on the ‘Start New Application’ button. To return to a saved draft application, click on the ‘Access Saved Application’ button.

**Attaching required documents:**

Supporting documents must be in an acceptable file type, such as Word, Excel, PDF, or JPEG. The maximum file size for each file is 10MB.

You will receive an application number when you submit an application online. Please quote this number in all communications with the department relating to your application.

If you have documents to submit that cannot be attached to your online application you can email them to [grantsinfo@delwp.vic.gov.au](mailto:grantsinfo@delwp.vic.gov.au), quoting your application number. Attach all documents to one email, zipping the files if required.

Make sure your application is submitted by 5pm, Friday 19 April 2024.

**Note:** No hard copy applications will be accepted. Late and incomplete applications will not be considered.

## Evaluation Criteria

DEECA will assess potential suppliers through the Grants Online Portal, which requires answers to the following:

1. Are you an Accredited Person with the Essential Services Commission? If so, are you accredited to deliver Project-based Activities as part of the Victorian Energy Upgrades Program?
2. Are you, or is someone in your employ, a Certified Measurement & Verification Professional (or in-training)? If so, please provide their AEE Certification ID.
3. Please outline your experience in the following:

* Advising commercial and industrial facilities on opportunities and technical feasibility of electrifying or decarbonising key site processes and technologies.
* Advising commercial and industrial facilities on economic feasibility of electrifying or decarbonising key site processes and technologies.
* Collecting and analysing commercial and industrial facility energy data relating to gas or electricity consumption.

1. Please outline your capacity and commitment to complete the following, between May and December 2024:
   * Deliver on-site electrification feasibility assessments, including data collection, technical analysis and economic analysis, noting any additional partners or specialists you anticipate involving in projects.
   * Report back to Sustainability Victoria and the participating facility on a business case for implementation of the electrification opportunities identified and analysed.

Application evaluation will also include a due diligence assessment. These are used by the Department to determine financial and other (non-financial) risks associated with entering into an agreement with the applicant. Outcomes from such assessments may be taken into account in any decision regarding applications.

Such checks may include:

* the potential for reputational risk to the State of Victoria.
* the Australian Business Number (ABN) registration and status.

DEECA will include suppliers on the Approved Supplier List based on responses by applicants to the evaluation questions and due diligence assessment. Consideration will be given to ensuring there is capability and capacity amongst approved suppliers for all relevant technologies, processes and sectors.

# Timeline for Expressions of Interest

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| --- | --- |
| **Activity** | **Proposed Date** |
| Expressions of Interest open | 28 March 2024 |
| EOI Close | 19 April 2024 |
| Approved Supplier List published | 30 April 2024 |
| Program applications open | 6 May 2024 |
| Program applications close | 30 September 2024 (unless funding exhausted earlier) |

DEECA may alter these dates at any time at DEECA’s sole discretion.

# What happens after Approved Supplier List is finalised?

The Program will open for applications from Applicants on 6 May 2024 and will remain open until all program funds are exhausted or 30 September 2024, whichever occurs first.

Once the Program opens for applications, Approved Suppliers will be able to engage with Eligible Facilities and support them to submit an application both parties agree to undertake. Applications may quote total project costs greater than $60,000 in their application. Projects quoted to be greater than $60,000 will be eligible but total additional funding must be secured and evidenced in application.

## Program delivery stages

Table 2: Delivery of Program

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| --- | --- |
| Stage | Description |
| **EOI** | Suppliers respond to this Expression of Interest and provides evidence of their capability, experience, and commitment. |
| **Recruitment** | Approved Suppliers, DEECA and Sustainability Victoria promote the Large Energy User Electrification Support Program and engage with Eligible Facilities. |
| **Partnering (optional)** | Approved Suppliers may elect to partner with Eligible Facilities to scope out facility and draft electrification feasibility assessment Project prior to Applications opening. |
| **Application** | Eligible Facilities submit an application using the Online Portal Form. |
| **Project kick-off** | Approved Supplier works with the Eligible Facility to develop the Project, providing input and information where required. |
| **Project stages** | Milestone payments made as outlined in the Funding Agreement. |
| **Project report** | Approved Suppliers complete feasibility assessment report and secure endorsement of the report from both the Facility and Sustainability Victoria. |
| **Funding** | Final funding disbursed according to the Funding Agreement. |
| **Project close** | Project is completed and learnings from assessments are used to support industry. |

## Market engagement strategy

The Program will be advertised on DEECA and Sustainability Victoria websites, through emails to relevant mailing lists including Sustainability Victoria and Victorian Energy Upgrades lists, and through direct contact with potentially eligible facilities and Approved Suppliers will also have the ability to promote the Program.

# Additional information

Additional information is available at the program web page (<https://www.energy.vic.gov.au/grants/large-energy-user-electrification-support-program>).

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| If you require assistance submitting your application online, email grantsinfo@deeca.vic.gov.au. |

# What is the notification process?

Successful and unsuccessful supplier applicants will be notified in writing after the assessment process is completed. All decisions are final and are not subject to further review. Unsuccessful applicants can request feedback on their application.

deeca.vic.gov.au