



RURAL RENEWABLE ENERGY PROGRAM

Guidelines for Medium Projects (30kW to 2MW)

INTRODUCTION

The Rural Renewable Energy Program provides rebates for grid-connect renewable energy power systems in specific rural or 'fringe of grid' areas of Western Power's electricity grid (the South West Interconnected System) in WA.

The objectives of the program are to:

- reduce greenhouse gas emissions
- help provide more effective electricity supplies for people in rural areas
- assist in developing the Australian renewable energy industry
- assist development in regional areas
- raise awareness of renewable energy and the value of distributed generation.

Rebates of typically up to 50% of the capital cost of eligible renewable energy power systems are available through the program for systems from 30kW to 2MW in size. All applications for medium projects are made through competitive funding rounds. In each funding round rebates may be approved for projects that:

- meet all requirements of the program, as set out in these guidelines
- best meet the objectives of the program, and have the lowest risks, per funding dollar requested
- best meet any additional Government objectives and policies.

For further information about the Rural Renewable Energy Program, please contact:

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These guidelines apply to medium, grid-connect systems in fringe of grid areas of the South West Interconnected System. Other programs apply to small grid-connect systems in fringe of grid areas of the South West Interconnected System and systems in off-grid areas of WA.

The Rural Renewable Energy Program is supported by the Australian Government through the Renewable Remote Power Generation Program, which is administered in WA by the Sustainable Energy Development Office. Applications for medium projects have to be assessed and approved by both the Sustainable Energy Development Office and the Australian Greenhouse Office. Applications with a rebate greater than \$500,000 also need to be approved by the Australian Government Minister for Environment and Heritage.

The program is expected to run from June 2006 to June 2009, depending on the availability of funds. The State and Australian Governments reserve the right to alter these program guidelines at any time.

SYSTEM LOCATION

1. The proposed renewable energy power system must be located within one of the following Local Government Shires in WA and must provide benefits to the local area:

Goldfields-Esperance Region

Coolgardie, Kalgoorlie-Boulder, Ravensthorpe

Great Southern Region

Albany, Broomehill, Cranbrook, Denmark, Gnowangerup, Jerramungup, Katanning, Kent, Plantagenet, Tambellup, Woodanilling

Mid West Region

Carnamah, Chapman Valley, Coorow, Geraldton, Greenough, Irwin, Mingenew, Morawa, Mullewa, Northampton, Perenjori, Three Springs

South West Region

Augusta-Margaret River, Manjimup, Nannup

Wheatbelt Region

Beverley, Brookton, Bruce Rock, Chittering, Corrigin, Cuballing, Cunderdin, Dalwallinu, Dandaragan, Dowerin, Dumbleyung, Gingin, Goomalling, Kellerberrin, Kondinin, Koorda, Kulin, Lake Grace, Merredin, Moora, Mt Marshall, Mukinbudin, Narembene, Northam, Nungarin, Pingelly, Quairading, Tammin, Toodyay, Trayning, Victoria Plains, Wagin, Wandering, Westonia, Wickepin, Wongan-Ballidu, Wyalkatchem, Yilgarn, York.

2. While systems located within the above shires are potentially eligible for a rebate, systems located in areas with lower quality power supplies will have greater opportunities for improving power quality. As improvements in power quality is one of the assessment criteria against which funding applications will be assessed, projects in areas with lower quality power supplies will be more likely to receive funding through this program.

APPLICANT REQUIREMENTS

3. The applicant must be the future owner of a proposed renewable energy power system. The applicant must be a business, an incorporated not-for-profit organisation or a government organisation. Applications must be submitted by the owner or management authority of the organisation. All organisations must have an Australian Business Number (ABN).
4. The applicant must be an organisation that primarily generates electricity to supply its own facilities (a self-generator) or an organisation that primarily generates and sells electricity (an independent power producer).
5. For self-generators, the proposed renewable energy power system must primarily supply electricity to facilities that are a key part of the organisation's operations. Facilities supplied by the system must be connected to the South West Interconnected System and must comply with all relevant laws and regulations. If self-generators also expect to sell a proportion of a system's output, they must demonstrate how they will sell the output, for example through a power purchase agreement or through the electricity market.
6. Independent power producers must demonstrate how they will sell the output of a proposed renewable energy system, for example through a power purchase agreement or through the electricity market.
7. The applicant must provide funding to meet the balance of the cost of a renewable energy system (i.e. the cost not covered by a rebate). This funding cannot come from any other Australian Greenhouse Office program. The funding should not come from any other Australian or State Government funding program.
8. The applicant must ensure that all equipment on which a rebate has been obtained under this program remains in operation at the specified location for at least five years following payment of the rebate. The applicant must demonstrate a right to operate at the specified site for at least five years and must provide details of land tenure.

9. Applicants must demonstrate that sufficient resources and expertise are available for the successful implementation of projects. Applicants must ensure that funding is available to meet the balance of the cost of a renewable energy system, that sufficient resources are available for the installation, commissioning and ongoing maintenance of a system, that appropriate insurances are in place and that suitably skilled and qualified persons will manage, design, install, commission and maintain projects. Applicants must provide evidence of a maintenance plan to keep systems operational.
10. Applicants involved in a breach of these guidelines, that act illegally or that provide false information, may be excluded from participating in the Rural Renewable Energy Program.

SYSTEM REQUIREMENTS

11. A renewable energy power system means a discrete installation of renewable energy generating equipment and essential enabling equipment at a specific location, with a single connection point to the South West Interconnected System and single network access approval from Western Power.
12. Renewable energy equipment on which a rebate is sought must be **new** and must be purchased **after** an application has been approved. Similarly, services essential for the implementation of projects must be paid for and provided after an application has been approved (with the exception of design services).
13. Expenditure on renewable energy generating equipment (defined in the *Rebates Available* section) must be at least 50% of the total cost of a renewable energy system.
14. Renewable energy systems must be complete systems incorporating renewable energy generating equipment, network connection equipment and other essential equipment required to make a system operational. Systems may incorporate a small energy storage component to smooth out fluctuations in power output or to provide an uninterruptible power supply in the event of outages of the grid power supply.
15. Renewable energy systems must have a nominal rated generation capacity of between 30kW and 2MW.

16. Systems must generate electricity from a renewable energy source to displace fossil fuel generation. For the purposes of the Rural Renewable Energy Program for Medium Projects, renewable energy means typically any source of energy that can be used without permanently depleting its reserves, including solar, geothermal, wind, wave, tidal, biomass and hydro energy. Systems must be eligible to generate Renewable Energy Certificates and must provide a greenhouse benefit for Australia.
17. Renewable energy systems must be connected to the South West Interconnected System (i.e. must be capable of supplying electricity to the grid) and must obtain network access approval from Western Power.
18. Renewable energy equipment and systems must be new, reliable, proven technologies, capable of operating successfully in rural areas, cost-effective and safe. Equipment and systems must meet relevant Australian Standards and may need to meet relevant International Standards. Equipment and systems must meet all relevant laws and regulations and all relevant approvals must be obtained.
19. Appropriate warranties for individual components must be provided. Manufacturer warranties for all major components must be for a period of one year or more, with the exception of photovoltaic modules for which manufacturer warranties must be for a period of ten years or more.
20. All applications must include a means of monitoring the performance of the renewable energy system. Applications may also include a means of monitoring the impact of a renewable energy system on the local electricity network.

SYSTEM SUPPLIER, DESIGNER AND INSTALLER REQUIREMENTS

21. Suppliers of renewable energy systems and equipment must have an ability to provide a reasonable level of service to applicants, to provide technical information and advice to applicants, to assist in the repair and maintenance of equipment and systems, to provide replacement components and to assist in honouring warranty claims. Suppliers should have a demonstrated history in supplying systems or equipment similar to that proposed in applications.
22. Systems must be designed by a person or persons with appropriate qualifications and experience. Designers must have design accreditation from the Business Council for Sustainable Energy (for smaller projects), professional engineering qualifications or other equivalent professional qualifications. Designers should have demonstrated

experience in designing systems similar to those proposed in applications. Systems must be designed in accordance with relevant Standards and regulations.

23. Systems must be installed by a person or persons with appropriate qualifications and experience. Installers should have demonstrated experience in installing systems similar to those proposed in applications. Systems must be installed in accordance with relevant Standards and regulations.
24. Suppliers, designers and installers must be adequately insured for the purposes of supplying, designing or installing systems proposed in applications.
25. Suppliers, designers or installers involved in a breach of these guidelines, that act illegally, that provide false information or that do not supply equipment or services for which payment has been received, may be excluded from participating in the Rural Renewable Energy Program.

REBATES AVAILABLE

Applicants that fully satisfy the requirements of the Rural Renewable Energy Program, and are successful in competitive funding rounds, may be entitled to a rebate of typically up to 50% of the GST-exclusive capital costs of eligible renewable energy equipment and services, including:

- renewable energy generating equipment including:
 - photovoltaic arrays and associated fixed or tracking support structures;
 - wind turbines and associated towers and foundations;
 - hydro units and associated penstock and piping;
 - biomass combustion or conversion systems, associated heat engines and coupled generators (excepting diesel generators);
 - other renewable energy generating equipment that may become available.
- essential enabling equipment including inverters and power converters, cabling, circuit protection, transformers and other grid-connection equipment, control systems, short term energy storage, meters and dedicated structures used solely for housing renewable energy power system equipment.
- essential non-equipment expenditure including design, freight, installation and commissioning.

A list of the costs of major individual components and services broken down into the three categories given above must be provided in applications.

Rebates will not be available for:

- renewable energy equipment that is not new or has been purchased before an application has been approved by the Sustainable Energy Development Office;
- equipment or services that are not considered essential for the successful operation of a renewable energy system;
- purchasing, leasing or renting land;
- dams and major civil works for hydro systems;
- equipment that is used to harvest or transport biomass feedstock;
- diesel, petrol or other fossil fuel generators;
- equipment or services used to distribute electricity from the system / grid connection point to any other facilities, or to connect other facilities to the grid.

Where an essential piece of equipment or an essential service on which a rebate is sought relates to both equipment eligible for a rebate and equipment not eligible for a rebate then a rebate on that essential piece of equipment or service may be calculated on a pro rata basis.

Where the Sustainable Energy Development Office considers that the cost of a renewable energy system is too high then the applicant will be required to justify the costs or to obtain two additional quotes for the supply of a similar system.

Rebates of typically up to 50% of the eligible capital costs of renewable energy systems are available.

Under exceptional circumstances rebates of up to 70% of the eligible capital costs of renewable energy systems may be available. Any applications for a rebate level of more than 50% will need to demonstrate that a project provides exceptional benefits and has low risks, will need to submit a strong business case as to why a higher rebate level should be provided and will be subject to a rigorous assessment process. As applications will be assessed on the basis of the benefits provided per funding dollar requested, applications seeking a rebate level greater than 50% are unlikely to be as competitive as other projects.

The funding level approved for successful applications may be lower than that requested by applicants if projects are considered to be financially viable with a lower funding level.

The Sustainable Energy Development Office has the final determination as to what equipment, services and costs are eligible for a rebate under these guidelines and what rebate level and amount may be approved for a project. The Sustainable Energy Development Office reserves the right to not approve a rebate for a project if the benefits provided per funding dollar are considered to be too low, if the technical risks of a system

operating successfully are considered to be too high or if the risks of a project proceeding in a timely manner are considered to be too high.

ASSESSMENT CRITERIA

Applications will be assessed against the eligibility requirements set out in these guidelines. Applications that do not meet the requirements are not eligible for funding.

Applications will be assessed against a number of assessment criteria, as follows. Applications will be assessed on the basis of the benefits provided by a project, and the risks of the project proceeding as planned, per funding dollar requested.

Project benefits

- Improved quality of local power supply:
 - reduction in transmission losses;
 - reduction in the number and duration of power outages for a given number of electricity consumers;
 - supporting weak areas of the grid through improving voltage, frequency or power factor;
 - offsetting the need for distributed fossil fuel generation or network upgrades.
- Amount of fossil fuel generation displaced by the renewable energy system and greenhouse gas reductions achieved.
- Development of the local renewable energy industry:
 - value of equipment manufactured and services provided by local industry members and contractors;
 - development of new renewable energy expertise or technologies by local industry members, for which there are good commercial opportunities elsewhere in Australia and overseas.
- Regional development benefits:
 - creation of economic opportunities for local businesses and individuals;
 - local environmental or social benefits, such as reducing salinity or improving water supplies.
- Raised awareness of the benefits of distributed renewable energy generation, ideally based on monitored performance data.
- Extent to which the project meets other Government objectives and policies.

Project risks

- Availability of funding to meet the balance of the cost of a renewable energy system.
- Ability to obtain land tenure.
- Likelihood of the applicant successfully selling the output (or excess output for self-generators) of a system at an expected price.

- Likelihood of the applicant obtaining any other revenue sources associated with a system.
- Financial feasibility of the project.
- Likelihood of the system operating reliably and delivering the estimated output and claimed benefits, based on the performance of similar, existing systems.
- Ability of the applicant to successfully implement the project, including the applicant's history in successfully implementing other, similar projects.
- Ability to obtain all relevant approvals, including network access approval.
- Likelihood of the project commencing construction and being completed quickly.

APPLICATION PROCEDURE

The procedure for applying for a rebate under the Rural Renewable Energy Program for Medium Projects is as follows:

1. The applicant completes an *Application Form* and submits it to the Sustainable Energy Development Office, along with any required attachments, before the close of each funding round. All information requested in the form must be provided for the Sustainable Energy Development Office to properly assess an application.
2. The Sustainable Energy Development Office assesses applications and determines which projects provide the greatest benefits, and lowest risks, per funding dollar requested. The Office determines which applications should be approved, depending on the availability of funds.
3. The Sustainable Energy Development Office submits proposals for successful applications to the Australian Greenhouse Office seeking funding approval. Where an application has a proposed rebate greater than \$500,000, approval is required by the Australian Government Minister for Environment and Heritage.
4. After proposals have been assessed and approved by the Australian Greenhouse Office and the Australian Government Minister for the Environment and Heritage (where necessary), the Sustainable Energy Development Office finalises a *Funding Agreement* with the applicant. This agreement sets out the terms and conditions for the provision of funding for a project, including a rebate payment schedule based on the completion of specified project milestones.
5. The applicant goes ahead and implements the project, including applying for and obtaining necessary approvals, finalising relevant contracts and installing and commissioning the renewable energy system.

The Sustainable Energy Development Office will pay funding to the applicant based on the successful completion of specified project milestones. The minimum expected payment for the completion of a milestone is 20% of the total rebate approved for a project.

6. For the final project milestone, applicants will need to include an independent financial audit report, which shows the overall cost incurred by the applicant to complete a project.

APPLICANT OBLIGATIONS

Performance reporting

The applicant must complete a standard report on the performance of a system subject to a rebate on an annual basis for five years. The report form will be sent out annually by the Sustainable Energy Development Office. There may be other requests for information, such as telephone or face-to-face interviews, from time to time.

Equipment to remain at project location

The applicant must ensure that all equipment on which a rebate has been obtained under this program remains in operation at the specified location for at least five years following payment of the rebate. If the system is removed for any reason, the rebate must be repaid on a pro-rata basis. If the system is sold (or the property on which the system is located is sold), all outstanding obligations under the Rural Renewable Energy Program must be transferred to the new owner as part of the sale process.

Inspection of systems

During the five years following payment of a rebate a representative of the Australian or State Governments may (upon reasonable request) visit the installation in order to assess compliance with program guidelines.

Breach of contract

Where it is deemed that a rebate recipient has breached the requirements of this program, the recipient is obligated to rectify the breach or to repay the rebate. The Sustainable Energy Development Office may take legal action to recover rebates from rebate recipients that breach the requirements of this program.

Publicity of systems

Applicants must make best endeavours to ensure that any publicity about renewable energy systems receiving rebates through this program appropriately acknowledges the financial contribution of the Australian Government and the role of the Sustainable Energy Development Office in implementing the program.

RIGHTS RESERVED BY THE AUSTRALIAN AND STATE GOVERNMENTS

No Australian or State Government warranty

There is no warranty given or implied by the Australian or the State Governments on any aspect of the installation funded through the Rural Renewable Energy Program, and the Australian and the State Governments accept no representations whatsoever for the quality of, or any other feature of, renewable energy systems for which rebates are approved.

Indemnity

The applicant acknowledges that neither the Australian nor State Governments nor any of their authorised representatives accept any liability in respect of any claim or cause of action arising out of, or in relation to, a system that is the subject of funding assistance. The applicant agrees that it will indemnify and keep indemnified the Australian and the State Governments for any claim or liability arising out of, or in relation to, a system that is the subject of a funding application.

Information rights

Information provided to the Sustainable Energy Development Office in, or in relation to, applications to the program may be provided to the Australian Greenhouse Office as required. The Sustainable Energy Development Office and the Australian Greenhouse Office may use all information provided for the purposes of assessing applications and administering the program. The Sustainable Energy Development Office and the Australian Greenhouse Office reserve the right to use general information of a non-confidential and non-personal nature and aggregated data for the purposes of publicly reporting on the performance of the program. Intellectual property rights in information developed as part of the program, excluding commercially confidential information, remain the property of the Australian Government.

Privacy and confidentiality of information provided in applications

Information of a personal or confidential nature collected under this program will be kept private and confidential by the Sustainable Energy Development Office, unless it is required to disclose information under the Freedom of Information Act 1992, under the Financial Administration and Audit Act 1985, by the State's Minister for Energy or by State Parliament including Parliamentary Committees. Confidential information may be provided to the Australian Greenhouse Office for assessment purposes.

Right to reject applications or approve a lower rebate

Applicants should not assume they will receive a rebate on submitting an application. The Sustainable Energy Development Office reserves the right to reject any application that it considers does not meet the requirements set out in these guidelines. The Sustainable Energy Development Office reserves the right to not approve a rebate for a system if the benefits provided per funding dollar are considered to be too low, if the technical risks of a system operating successfully are considered to be too high or if the risks of a project proceeding in a timely manner are considered to be too high, even if funding is potentially available for a given funding round.

The funding level approved for successful applications may be lower than that requested by applicants if projects are considered to be financially viable with a lower funding level.

Right to alter program

The Sustainable Energy Development Office reserves the right to change these program guidelines at any time. If changes are made any rebates approved prior to the changes will be unaffected.

While the Rural Renewable Energy Program is expected to run until June 2009, the Sustainable Energy Development Office reserves the right to end the program sooner if available funds are exhausted or other circumstances necessitate this action. Any rebates approved prior to the action will be unaffected.

Guidelines current as at August 2006