

South Australia Demand Management

Trials Program

Program Guidelines

OCTOBER
2018



1. Overview

The South Australian Government is funding trials in the areas of demand response, demand aggregation and integrating distributed generation assets into the grid.

This Program of trials using demand response and distributed energy resources (DER) aims to lower energy costs for consumers by optimising the integration and use of customers' demand response and distributed energy resources.

The South Australian Government has made funding commitments in relation to:

- demand response trials to demonstrate how consumers can benefit financially from changing their consumption patterns
- demand aggregation trials to reward consumers for demand flexibility and reduce peak demand to lower energy system costs
- integrating distributed generation assets into the network to address challenges associated with this technology and maximise the benefits it can provide.

For the purposes of this Program, these areas are referred to collectively as "demand management".

Investing in trials supports the Government's commitment to improve reliability and reduce the costs of the energy system by voluntary shifting of demand, and better use of resources such as solar and batteries. This supports the twin aims of making our power system more affordable and reliable, by smoothing peaks and troughs of demand, avoiding high prices and reliability issues.

Participating consumers should benefit financially from changing their energy consumption behaviour in a manner that also helps reduce the costs of the energy system for other consumers. The trials will demonstrate how participating and other consumers can receive financial benefits.

Trials can play an important role in testing concepts to inform policy and regulatory change. The intent of supporting these trials is to demonstrate how new and distributed technologies can play an increasingly useful role in making the grid more efficient and rewarding consumers for managing their own demand.

The Government has allocated up to \$11 million to this Program, with grants to be allocated through a competitive process on the merit of applications.

These Guidelines provide information about submitting a proposal to seek funding support for your trial proposal through the competitive process.

The objective of the Program is to fund trials that will contribute to lowering energy system costs for South Australian consumers and one or more of the following Program outcomes:

- increased value delivered by distributed technologies for consumer benefits
- consumers rewarded for their demand flexibility
- benefits of distributed generation assets maximised through improved integration.

The Minister for Energy and Mining is responsible for approving financial assistance under the Program.

The Department for Energy and Mining is responsible for administering the Program on behalf of the Minister for Energy and Mining.

Funding provided by the Program will be in the form of grants of up to a maximum of \$2.5 million. Applicants are expected to at least match the grant funding being sought.

Applications close 5pm ACDT on 14 December 2018.

Queries relating to the DM Trials Program may be directed to:

Program Manager
Department for Energy and Mining
Email: DMtrials@sa.gov.au

2. Program objectives

The South Australian Government seeks to advance how demand response and distributed technologies can be integrated and optimised to deliver a resilient, affordable and customer-focused power system for the 21st century.

This transition requires a proactive approach where new ideas and innovations to unlock the full potential of demand management can be explored. The Program aims to provide a foundation step towards an efficient, cost-effective power system that meets the evolving needs of consumers and the grid.

This Program is not seeking to expand business as usual activities related to demand response and distributed technologies. The goal is to unlock under-utilised demand management potential.

The Program seeks to support trial proposals that achieve one or more of the following objectives.

Objective 1: Demand management incentives

Trials of demand management incentives to unlock demand management potential that currently is not being utilised to:

- Demonstrate to consumers the value of their demand management;
- Demonstrate to energy stakeholders the potential quantum of under-utilised demand management;
- Demonstrate consumer behaviour in response to incentives;
- Demonstrate consumer incentive preferences; and/or,
- Contribute to long-term incentives for demand management being offered to consumers.

Objective 2: Demand management marketplace

Trials of demand response and distributed energy resource service transactions between energy stakeholders to:

- Demonstrate arrangements for trading demand response and distributed energy service transactions;
- Demonstrate the potential for demand response and distributed energy resources to defer or avoid network investment, provide a hedge against wholesale price volatility and/or contributed to reliability;

- Demonstrate how consumers can be rewarded for their demand management capability separately from their retail electricity arrangements;
- Demonstrate how demand management can be made more transparent; and/or,
- Contribute to long-term mechanisms for trading demand management and rewarding consumers for that demand management.

Objective 3: Distributed energy resource incentives

Trials of incentives for the customer or a third party to operate the customer's distributed energy resources to:

- Demonstrate how incentives can address periods of peak generation from rooftop solar PV;
- Demonstrate and compare how control strategies underpinned by customer incentives can contribute to managing a power system with a high penetration of distributed energy resources;
- Demonstrate the business case for aggregated and controlled distributed energy resources;
- Demonstrate how incentives can limit the impact of uncontrolled distributed energy resources on the power system;
- Demonstrate consumer behaviour in response to incentives;
- Demonstrate consumer incentive preferences; and/or,
- Contribute to long-term distributed energy resource incentives being offered to consumers.

Objective 4: Network hosting capacity

Trials of technology or services that improve the ability of networks to accommodate increased levels of distributed energy resources to:

- Determine the most efficient options for increasing network hosting capacity;
- Demonstrate how technical impacts from distributed energy resources can be managed;
- Demonstrate how the power system can be managed with high penetration of distributed energy resources; and/or,
- Contribute to long-term optimisation of network hosting capacity.

3. Eligibility

You must meet all eligibility criteria in this section to be eligible to submit a Proposal.

You must provide all required information with your application for your Proposal to be assessed.

Who can apply?

To be eligible to apply for grant funding under the Program, an applicant must:

- be able to enter into a legally-binding grant funding agreement with the South Australian Government;
- have an Australian Business Number (ABN) and be registered for GST;
- be willing to provide information and data, including financial information as required; and,
- be willing to share knowledge and information about and resulting from the activity in your Proposal.

What activities are eligible?

To be eligible for grant funding under the Program, your Proposal must:

- demonstrate that it contributes to one or more of the Program objectives;
- demonstrate that the activity involves a technology, application or solution that is novel, innovative or first-of-kind or otherwise satisfies the generally understood idea of a 'trial';
- produce and disseminate new knowledge, information or understanding; and,
- be undertaken wholly or primarily in South Australia.

Scope

As a guide, activities that are in scope include, but are not limited to:

- activities to demonstrate a new or emerging technology, technology application, market design, capability, product, concept or innovation;
- activities to encourage early adoption or application of research outcomes;
- activities that help to overcome technical, regulatory, economic or social barriers to consumer participation, enabling accelerated or wider market take-up of a proven technology or concept;
- activities that involve household and/or business consumers;
- activities that can be replicated and are scalable, providing a pathway for future rollout; or,
- collaboration and partnerships for design and/or delivery of trials.

Exclusions

- activities that have been trialled or demonstrated previously, or are in the process of being trialled or demonstrated, in a jurisdiction of the National Electricity Market, unless the Proposal can demonstrate additional value or benefit to South Australia.
- activities to deploy commercially available products and/or proven business models without an associated trial or demonstration component.
- studies and research activities that do not also include as a substantial component testing the practical application of a technology or approach.
- activities that have been completed or are substantially underway prior to the submission of the application.
- routine business activities.

4. How to apply

Applicants should read these Guidelines in full prior to submitting a Proposal.

Applications should clearly address the eligibility criteria and required information, as outlined in these Guidelines.

Where the Proposal is to be conducted by a consortium, the application must clearly identify all participating organisations and be submitted by the lead organisation on behalf of the consortium.

Proponents must contribute matching funds of at least the amount of the grant sought.

Applicants are required to submit their application using the application form, available at www.energymining.sa.gov.au

Applications are to be submitted electronically to the Program Manager, Department for Energy and Mining, using the following email address: DMTrials@sa.gov.au

Applications close 5 pm ACDT on 14 December 2018.

Applications received after the closing date may not be accepted or considered.

Confidentiality and commercial-in-confidence information

If you believe that any information in your application is confidential or commercial-in-confidence, you must clearly indicate such information and the reason for its confidentiality.

Applicants should be aware that the Department for Energy and Mining is subject to certain legislative and administrative accountability and transparency requirements of the Australian Government and the Government of South Australia, including public disclosure in accordance with the Department for Energy and Mining policy.

What information is required?

In addition to addressing the eligibility criteria, applications for funding assistance must also include the following information:

- Name of the lead organisation for the Proposal.
- Name and contact details of the nominated contact for the Proposal.
- Names of all partner organisations participating in the Proposal.
- Previous three years' financial statements of the lead organisation.
- Proposal – a detailed description/business case of the proposed activity to be undertaken.
- Innovation – a description of how the proposed activity is innovative or novel.
- Contribution to objectives – a statement of how the Proposal will contribute to the Program and the relevant objective(s).
- Capacity – details of the capability, capacity and expertise of the applicant, its partners and third-party contractors, and key personnel to be involved in the activity.
- Budget – a detailed project budget, including all sources and types of financial and in-kind contributions; proposed payment milestones; and financial model showing indicative returns to trial partners where relevant.
- Supporting evidence – evidence of support of partner organisation(s), including their commitment to provide the specified cash and/or in-kind contributions for the duration of the trial.
- Implementation plan – a project plan and delivery timetable, including provision for approvals (if applicable); milestones; deliverables; and indicative key dates.
- Knowledge sharing – a description of the knowledge and information expected to be generated by the activity and how it is proposed to share that knowledge and information.
- Public funding – details of all State and Commonwealth grant funding or financial assistance awarded in the past two years and any pending applications.

5. Assessment

Assessment of applications will commence after the closing date.

Applications will be assessed against the eligibility and merit criteria, as outlined in these Guidelines.

The Department for Energy and Mining will convene an Assessment Panel to assess applications and may seek external expert advice to assist the Assessment Panel.

Applications will be assessed initially for eligibility with reference to the eligibility criteria and the mandatory information requirements. Applications that meet these requirements will be considered 'eligible applications'.

Eligible applications will be assessed on a competitive basis against the merit criteria contained in these Program Guidelines.

The Assessment Panel may take into account other aspects of the Proposal it regards as relevant when assessing applications.

The Department for Energy and Mining may conduct due diligence and/or contact you for more information or clarification to support your application. Information received in connection with an application may be communicated outside the South Australian government for due diligence purposes.

Applications that fail to meet one or more of the eligibility criteria, or that the Assessment Panel considers to be of low merit against one or more of the merit criteria, may not be considered further.

Applicants should note that, irrespective of eligibility or merit, there is no guarantee that an offer of funding will be made under this Program.

The Assessment Panel will make recommendations for funding to the Minister for Energy and Mining, or his delegate.

Neither the Department for Energy and Mining or the Assessment Panel is obliged to recommend any proposal, application or applicant.

Merit criteria

Applications for grant funding assistance will be assessed for merit against the following criteria:

Trial Design Consideration will be given to aspects such as the proposed trial objectives, design and methodology; the degree of innovation or 'first of kind'; the proposed approach to implementing and managing the activity, including roles and responsibilities; appropriateness of the budget and proposed expenditure; overall readiness; risks; and, dependencies.

Capacity to Deliver Consideration will be given to aspects such as the organisational capacity and financial capacity of the applicant (and any partners) to undertake the proposed activity; organisational resources; track record; expertise and key personnel; and, expected amounts and sources of funding;

Trial Benefits Consideration will be given to aspects such as the extent to which the Proposal contributes to achieving one or more of the Program objectives; the expected benefits to South Australian electricity consumers; and the Proposal's knowledge sharing approach, value and benefits.

6. Funding agreement

Funding will be offered to successful applicants by the Minister for Energy and Mining. The expected timing of funding offers is from Q1 2019.

To receive grant funds, a successful applicant must enter into a written funding agreement with the South Australian Government. All grant offers are conditional until the execution of a funding agreement between the applicant and the South Australian Government.

The funding agreement will set out the obligations of each party and the conditions under which the financial assistance is given. The funding agreement will include agreed project and payment milestones, knowledge sharing plan, and reporting requirements.

Payment of grant funds will be made in accordance agreed project payment milestones, as set out in the funding agreement.

Program funding must be used only for approved eligible expenditure on the trial activity.

Failure to maintain agreed targets or levels of performance may result in a request for all or part of the grant to be repaid.

Any funding not expended, or not expended in accordance with the terms of the funding agreement, will need to be repaid to the Department for Energy and Mining.

All grant payments will be made subject to the availability of funding.

Reporting

The Funding Agreement will include a requirement to provide reports on the progress of the trial that will be tailored in accordance with agreed project milestones, detailing but not limited to:

- progress of the project;
- eligible expenditure incurred on the project; and,
- on completion of the project, a grant acquittal in relation to eligible expenditure.

Knowledge Sharing

A key objective of the Demand Management Trials Program is to contribute to improving the knowledge base to unlock the full potential of demand management and distributed generation and sharing that knowledge with the energy sector and the broader community.

A condition of the grant funding assistance is the requirement to share knowledge and information generated through trial activities. The Funding Agreement will include the knowledge sharing arrangements agreed between the applicant and the South Australian Government.

The Government of South Australia retains the right to extend, accelerate or alter any element, including timetable, of this Program at its discretion.

Funding decision

The Minister for Energy and Mining, or his authorised representative, is to make grant offers to successful applicants taking into account:

- Recommendations of the Assessment Panel; and,
- Availability of funding, based on commitments of Program funds in the current and future financial years.

Final decisions as to funding opportunities will rest with the Minister for Energy and Mining.

Applicants will be advised in writing whether their application was successful. No further correspondence will be entered into.

Approval of funding may be subject to conditions.

The Minister for Energy and Mining reserves the right to offer grant funding in excess of the maximum grant of \$2.5 million if the Minister deems the application to be of sufficient merit.

The Minister may consider or accept (at the Minister's sole discretion) any application or proposal including without limitation a late application or application from an applicant who has failed to submit an application in accordance with these guidelines (including for proposals outside the area(s) to which a call for proposals relates).

No approval of an application or proposal, nor any notification to a proponent that its application or proposal is successful, nor any invitation to negotiate will be effective to constitute a contract or to create any legitimate expectation on the part of the applicant unless a formal written contract is executed by both parties.