37% of fruit are low-hanging
Investment criteria (for low-hanging fruit only)  
= 7 year simple payback period
Bonus

30% of project costs are asset replacements
7 year **simple** payback

= 

5.07 year **real** payback

(including avoided costs and interest charges)
Accounting treatment of energy efficiency investments

For projects funded with cash or debt where the payback period is less than the investment life.

**BALANCE SHEET**
- Increased liabilities or less cash
- Improved asset value of buildings

**OPERATING STATEMENT**
- Depreciation expense (~1/15th of investment)
- Annual cost savings (~1/7th of investment)
- Savings more than double the expense

**NET DEBT (liabilities – cash)**
- Increased liabilities or less cash
- Increased net debt by value of investment in year 1
- Impact reduces to zero over term of the payback period
- Positive impact thereafter
Current and completed projects

1. 16 office buildings (DTF) Complete 27% GHG saving
2. State-wide traffic lighting upgrade Complete 70% GHG saving
3. South West TAFE Institute Complete 32% GHG saving
4. Kangan TAFE Institute Complete 15% GHG saving
5. Melbourne Sports and Aquatic Centre Final commissioning 31% GHG saving
6. Federation Square Final commissioning 55% GHG saving
7. RMIT Bundoora & Brunswick Implementation 52% GHG saving
8. RMIT city & Carlton campus Implementation 38% GHG saving
9. Sunraysia TAFE Implementation 23% GHG saving
10. Parks Victoria Implementation 17% GHG saving
11. GWM Water Implementation 6% GHG saving
12. City of Yarra Implementation 45% GHG saving
13. Supreme Court EPC negotiations 34% GHG saving
14. Holmesglen TAFE Funding application 39% GHG saving
15. Melbourne Cricket Ground Funding application 22% GHG saving
16. Ballarat University Funding application 41% GHG saving
17. Western Water DFS 36% GHG saving
18. Northern Melbourne Institute of TAFE DFS 40% GHG saving
19. East Gippsland Water DFS 41% GHG saving
20. Metropolitan Fire Brigade DFS 18% GHG saving
21. Chisholm TAFE DFS 29% GHG saving
22. Austin Health (HR & RTR) DFS 64% GHG saving
23. Museums Victoria DFS >50% GHG saving
24. DHS public high-rise DFS >50% GHG saving
25. West Gippsland Health DFS 60% GHG saving
26. DPI Laboratories & research centres DFS negotiations
27. Northern Health DFS negotiations
28. Monash Health DFS negotiations
29. Health Tranche 2 (Latrobe, Peninsula, Western) DFS negotiations
30. V/Line DFS negotiations
31. Health Tranche 3 (Alfred, Barwon and St. Vincent’s) Tender evaluations
32. Gippsland Water Tender evaluations
Funded Vic Government projects

11 projects
- 3 x TAFE Institutes,
- DTF office portfolio,
- Fed square, MSAC,
- RMIT, Parks Vic, GWM
- Water, Vic traffic lights

Annual utility expenditure = $27.6 m

37% savings = $10.2 m

Capital investment (year 1 debt impact) = $83 million

Annual operating statement impact = $1.34 million

Avoided capital (asset replacement) = $42 million
Typical Vic Government project

Project scope

TAFE Institute
30 buildings consisting of classrooms, offices, kitchens, workshops, etc

Annual utility expenditure = $2.28 m

39% savings = $891,000

Capital investment (year 1 debt impact) = $6.21 million

Annual operating statement impact = $228,600

Avoided capital (asset replacement) = $1.47 million
Local government application

**Project scope**
- Civic centres
- Aquatic centres
- Libraries
- Depots
- Other facilities

**Annual utility expenditure** = $800,000

37% savings = $288,000

Capital investment (year 1 debt impact) = $2 million

Annual operating statement impact = $153,600

Avoided capital (asset replacement) = $604,000
How to pick the fruit
this way
Energy Performance Contracting (EPC)

Customer: determines investment criteria, which buildings to include

Provider: proposes solutions to meet objectives, delivers project, guarantees savings
Energy Performance Contracting (EPC)

Plan

Request for Proposal

Detailed Facility Study

Install solutions

M&V

Investment criteria: 7 year payback
Scope: all buildings
Energy Performance Contracting (EPC)

Plan → Request for Proposal → Detailed Facility Study → Install solutions → M&V

DFSA → EPC

3 tenderers audit (+/- 20% accuracy)
One with most savings wins
Energy Performance Contracting (EPC)

1 provider signs 1st contract (design stage)
DFS fee (~$100K) payable only if works don’t proceed
Energy Performance Contracting (EPC)

Project funded and 2\textsuperscript{nd} contract (EPC) signed
Energy Performance Contracting (EPC)

- Plan
- Request for Proposal
- Detailed Facility Study
- Install solutions
- M&V

DFS fee invoiced
Supply and installation of works
Provider invoices as works installed
Energy Performance Contracting (EPC)

- Plan
- Request for Proposal
- Detailed Facility Study
- Install solutions
- M&V

DFSA

EPC

Ongoing guarantee of project savings
IPMVP verification
Shortfalls repaid to customer
Final word

1. You could do better than 37%
2. Consider financing large projects
3. Use EPC process
4. Contact DTF