

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Budget estimates 2020–21 (D’Ambrosio)

Melbourne—Wednesday, 16 December 2020

MEMBERS

Ms Lizzie Blandthorn—Chair

Mr Richard Riordan—Deputy Chair

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Ms Pauline Richards

Mr Tim Richardson

Ms Nina Taylor

Ms Bridget Vallence

WITNESSES

Ms Lily D'AMBROSIO, MP, Minister for Solar Homes,

Mr John Bradley, Secretary,

Mr Stan Krpan, Chief Executive Officer, Solar Victoria, and

Mr Xavier Hinckson, Executive Director, Finance, Department of Environment, Land, Water and Planning.

The CHAIR: Thank you very much, everyone. Thank you, Minister. Welcome back for consideration of the portfolio of solar homes. Again we invite you to make a presentation, this time of 5 minutes, and this will be followed by questions from committee members. Thank you for joining us again.

Ms D'AMBROSIO: Thank you very much, Chair, and I will be really quick given it is 5 minutes.

Visual presentation.

Ms D'AMBROSIO: This budget builds on the very successful Solar Homes program that has been going on for a couple of years now—significant investment that will really take the program to a new level, expanding the number of rebates that are available for the next two years and also expanding quite significantly the number of battery rebates in the system over the next three years. And for the first time we are going to be expanding the program by enabling small businesses to apply. Over the next three years 15 000 rebates will be available. And of course because our commitment is very strong in terms of skills development and safety there is \$2 million extra in terms of workforce skills and training.

Next page, please. It is a 10-year program. People will be very well aware of it. It has got the highest of standards and qualities. We are continuing with that. Our aim was always to ensure that we had the highest of standards—safety standards, quality control standards—to ensure that we have got an industry that everyone can be really proud of. Also, importantly, we listened to businesses who actually did want to see some massive improvements in quality and safety, and we are very much a leader for the rest of the country in that regard. We have also of course got the new office in Morwell moving to its new home at the government hub building—15 new jobs there.

I think I have already mentioned some of these issues, so we can go past those if we can.

Now, these are just some interesting facts about the outcomes, if you like, of the program thus far. Two-thirds of households basically who are eligible and have applied and received support from the program earn under \$100 000 a year, 407 community housing properties have been supported by our program—so, again, it is about people who might not necessarily own the home but still can get access to the benefits of it—and 31 per cent of Solar Home households are from regional Victoria. Again, we know renewable energy, new energy technologies, are so popular in regional Victoria and benefiting them directly in terms of jobs too. We have thus far approved 122 000 rebates. Almost 110 000 systems have been installed. The capacity install is 646 megawatts. That is massive. Taken collectively, that is a massive injection towards our renewable energy targets. We have paid out about \$217 million in rebates. Our highest month ever for installations was in November—last month. Obviously we had a bit of a hiatus—a dip, I should say—because of COVID. But it has rebounded phenomenally, really, really quickly, but importantly with all of the safety and the audits—there is a really strong focus on that—to make sure that all safety precautions are in place and everything is done in a COVID-safe way. And 900 installers have participated in the program this year.

The next one—and I think that is it. I think that was 5 minutes.

The CHAIR: Perfectly timed. Thank you, Minister. Mr Tim Richardson.

Mr RICHARDSON: Thank you, Chair. And thank you, Minister, for joining us again and department representatives for joining us this afternoon. Minister, can I take you to budget paper 3, page 49, and particularly table 1.11. I am wondering for the committee's benefit: for what purpose has funding been provided to expand the Solar Homes solar panel rebate program? I know that has been very popular amongst a range of communities in Victoria.

Ms D'AMBROSIO: Yes. Well, look, I think we know that it is a very, very popular program. We know that with the demand for rebates, and battery rebates too in particular, the PV rebates, we made a big increase to them in the last 18 months, and because of the big demand it sort of outstripped expectations. So it is really, really popular, which is terrific. With battery rebates we know that there has been a big demand and there has been a big gap between the demand and the number of rebates available. Our intention was to sort that out and ensure that there were sufficient rebates there for batteries. So you can see that there is a big investment in an additional number of rebates there, because we know batteries are really coming in very strongly and are very popular. Our aim is to keep driving improvements in the program. It is one that has got fantastic satisfaction amongst those that benefited from the program, and it is all about making sure that we just keep removing those barriers to people being able to access either a solar hot-water system, a battery or indeed solar panels on their roofs and getting those bill savings. We know that there are hundreds of dollars in savings that are being made by people right now.

The loan has been really important, and we know that about 70 per cent of people who have applied for solar PV have also applied for the loan. And it is supporting so many jobs. It is an important measure of stimulus too in a post-COVID situation to be able to get those extra jobs created. It supports about 5500 jobs. During the life of the program that is how many jobs are being supported by it.

Mr RICHARDSON: Obviously the impact on small business has been significant during this year with the coronavirus pandemic. How will this program as we support them to get back on track support small businesses to access solar PV systems?

Ms D'AMBROSIO: This is new, certainly, for Solar Homes. We realise that with the impact of COVID, especially on small businesses, there have been a range of supports across government portfolios. We have understood that helping small businesses to be able to not have to worry so much as they otherwise would about their power bills by having a solar panel, say, on their roof is just another way of being able to give them that indirect support. It just frees up money to be able to just get back on their feet. If you are putting less money towards your power bills as a business, that is money that you can put into a more productive part of your business and just getting back up and running and hopefully becoming sustainable again. It is something that is very important, and I am very confident it is going to be well received. I know that we have received a lot of phone calls already from businesses that are interested to know how to access the program.

Mr RICHARDSON: We know how important storage is as well as energy generation. I am wondering if you can elaborate a bit more on how this funding will impact the Solar Homes battery rebate program as well.

Ms D'AMBROSIO: With the way that the energy market is transforming households and small business, households are not consumers anymore. They make their own power on the roof. They have got a measure of control in reducing the cost of getting their hot water warmed up through solar, for example. Similarly, the next big step is not just being able to create your own power but being able to store it so you have got more flexibility in how and when you can use that power. If you are not home during the day, when the solar is working, you have got a choice of either letting it go into the grid and getting your feed-in tariff, whatever rate that might be, or putting it into storing it in your battery so when you come home and you need to turn your washing machine on or your dishwasher or what have you you can just get that power straight from your battery. So it is really just giving that greater flexibility to families, giving them greater control over the way that they make power but also how they use it and when they use it to suit their circumstances and their family's circumstances and saving money—and really people love the idea that they are actually contributing to environmental benefits too.

Mr RICHARDSON: Thank you, Minister. I want to turn to the topic of safety now and how critically important this is in the sector. Again I take you back to budget paper 3, page 49, table 1.1 and the funding provided to expand the Solar Homes program. What actions has the government taken to ensure safety is across the sector for this program?

Ms D'AMBROSIO: Yes. Just give me a second. When we first created the program, safety was absolutely front and centre of the design of it, and I am really pleased to say that all of the elements of the design are really delivering really good outcomes. It is really important because what we have done is take a whole-of-government approach to this, not having Solar Victoria be the only agent of government to understand and look towards safety issues but working collaboratively with Consumer Affairs Victoria for the

retail side of things, working collaboratively with Energy Safe Victoria for the safety of electrical installations, for example, working with WorkSafe for working at heights and issues like that—taking a collaborative, fully integrated approach to setting standards and expectations, and a risk-based auditing approach has meant that we have actually increased standards in Victoria for the whole sector. Also of course the Clean Energy Council have got their code that governs contracts and how they are struck between retailers, installers and consumers, so all of them working together.

That has meant that with any issues that have been picked up through the risk-based audit an independent regulatory approach internally in the department has led to a number of businesses that have received either notices for improvement or indeed have been suspended from the program, and indeed some have been just taken out of the program altogether. The objective here is to make sure that the people who are working in this sector have the right standards, have the right approach, the right mentality. Can I just say that it has been absolutely embraced by the industry, because they value good operators—the overwhelming majority are great operators. They do not want to be competing with shoddy, dodgy practitioners; no-one benefits from that.

I am absolutely pleased and very proud of what we have been able to achieve, and we are on track to meet our 5 per cent audits of all the installations that are supported by our program. There is a very strict risk-based approach. This is the strictest risk-based auditing program of any state, and I would be very surprised if we did not see other states eventually follow suit. We have actually seen a decrease in the number of particular unsafe faults with installations because the Clean Energy Regulator does their own audit but it is not necessarily a risk-based audit. For us it is risk-based, so we are actually more likely to find ones that are not quite right because we go looking for those rather than just a broad approach. We are actually now below the national average in terms of particular types of unsafe installations, which is a real credit to the design of the program and absolutely all of the regulators and agencies working together to really tackle this and send a very strong message out there. It is working, and we are below the national average, which is a really good indicator.

Mr RICHARDSON: Outstanding. Thank you, Minister.

The CHAIR: Thank you, Mr Richardson. Mr Danny O'Brien, MP.

Mr D O'BRIEN: Thank you, Chair. Good afternoon, Minister. You mentioned the establishment of Solar Vic in Morwell. Will the new GovHub be ready in time for people to move in early in 2021?

Ms D'AMBROSIO: Look, my understanding is that we are on track for Solar Victoria to be located at the new government hub around about March, I think might be the date that we are looking at? Yes, Stan Krpan says around March.

Mr D O'BRIEN: Okay. It will be finished by then?

Ms D'AMBROSIO: It is nearly complete. It is just about moving in, but doing that in a COVID-safe way.

Mr D O'BRIEN: Okay. You mentioned 50 jobs. How many of those are new jobs in the public service?

Ms D'AMBROSIO: Now, this is the government hub, is that right? I will get that for you.

Mr D O'BRIEN: No, I mean specifically for Solar Vic, of course.

Ms D'AMBROSIO: That would be located at Morwell? Yes, all of them.

Mr D O'BRIEN: I guess my question is: how many of them are existing public service that might be moving across into Solar Vic?

Ms D'AMBROSIO: If you do not mind, I will ask Stan Krpan, the CEO, to speak to that specifically. Thank you.

Mr KRSPAN: The government's commitment was that all 50 were new, and they are all new. There is a new office in Morwell that was established with Solar Victoria, and they are all new staff. They will move into the government hub.

Mr D O'BRIEN: Okay, so are they all new to the Latrobe Valley? As in, they have been advertised in the Latrobe Valley; they are not people relocating from Melbourne?

Mr KR PAN: Not yet, no. They were all existing people living in the Latrobe Valley and then obviously over time we will transition people from Melbourne or indeed hire locally. That is all yet to be determined.

Mr D O'BRIEN: When you say transition people from Melbourne—as existing public servants, do you mean?

Mr KR PAN: Well, 50 are new. They have all been hired and will be hired in the Latrobe Valley, and then new additional roles, insofar as we are filling those, will be a combination.

Mr D O'BRIEN: What is the total current staffing profile of Solar Vic, and what are the future projections?

Mr KR PAN: It is about 130, and that is sort of the full complement, if you like.

Mr D O'BRIEN: Right, okay. Thank you. Can I ask, Minister: the battery rebates, that I believe you might have mentioned actually in your presentation, are now available across the whole state?

Ms D'AMBROSIO: Yes, the postcode restrictions are no longer in place.

Mr D O'BRIEN: Can I just ask why they were in place, given for example those in remote areas, some of which might have actually benefited from a battery rebate in being completely off the grid, were not allowed in the first place?

Ms D'AMBROSIO: Well, look, the point of the battery rebates is not about getting off the grid.

Mr D O'BRIEN: No, I understand that. But they were specifically excluded, unless you were in a growth area, and that did not seem to make sense.

Ms D'AMBROSIO: Yes, sure. Look, a lot of it had to do with us not being really sure until it was tested of the degree of demand for it, which is important. The other consideration that we wanted to be careful of and to assess with the rollout was any particular constraints in localised areas where perhaps—and we did this on advice and in discussions with the distribution businesses, to ensure that they were put in the best-place locations in terms of optimising the grid. So there were a number of layers of consideration, but obviously as we have seen the rollout and as we have seen the demand grow to the extent that we have and the conversations with the distribution businesses, it was decided that—I mean, we did extend it. You will know that we expanded the number of postcodes on a couple of occasions. But it is now in a position where we are very confident that there will not be any unforeseen impacts on the grid, and certainly we will be better able to satisfy the demand profile that has developed over time.

Mr D O'BRIEN: So can I confirm then that all the Solar Vic subsidies are now available across the state with no postcode restrictions?

Ms D'AMBROSIO: The batteries, yes.

Mr D O'BRIEN: No, no, for all the programs within your portfolio.

Ms D'AMBROSIO: Oh, yes, yes. That is right, yes.

Mr D O'BRIEN: Righto. Can I ask: the original program had \$1.3 billion over 10 years, and it is now an additional \$800 000, or \$797 000—that is correct?

Ms D'AMBROSIO: Well, look, I think the way to describe the program is \$1.3 billion over 10 years, as you say, and then we have indicated a rebate profile, if you like, for the first period of time, and that would vary. That was not necessarily going to be constant. There has been a variation to the number of rebates and when they would be available, so effectively we were making more rebates available sooner—and I think this correct, Stan, that we are still intending to deliver the entire program within that \$1.3 billion frame.

Mr D O'BRIEN: Sorry, but to clarify, it was originally a \$1.3 billion program over 10 years. Your budget announcement was for \$797 000. Is it now a \$2.1 billion program, or was the \$797 000 part of the \$1.3 billion?

Ms D'AMBROSIO: No, part of that.

Mr D O'BRIEN: Okay, so it is still a \$1.3 billion program over 10 years?

Ms D'AMBROSIO: Yes. The only thing I would say—and I will just check on this one—is whether there is a difference there with the battery rebates. There is additional money there because when you consider what we had initially said would be the number of battery rebates, we have actually grown that total, so there is additional money because we have got more battery rebates as a whole.

Mr D O'BRIEN: So what is the total quantum of the program now?

Ms D'AMBROSIO: So you are talking about the \$797 million. Is that right?

Mr D O'BRIEN: Yes. Well, I am trying to clarify it. The solar program overall was \$1.3 billion over 10 years. What is it now?

Ms D'AMBROSIO: Over 10 years?

Mr D O'BRIEN: Is it still \$1.3 billion over 10 years?

Ms D'AMBROSIO: Look, let me get that figure for you. I think it is \$1.3 billion, but there would be, I imagine, some allowance for the batteries.

Mr D O'BRIEN: Perhaps if Xavier can—how much extra?

Mr HINCKSON: Thanks, Mr O'Brien. If I can answer, the \$1.3 billion refers to the output funding only, and that is because under accounting standards the loans are actually offset for the battery investment, so the battery is—

Mr D O'BRIEN: Sorry, offset?

Mr HINCKSON: The battery loans.

Mr D O'BRIEN: Yes.

Mr HINCKSON: There is a financial asset because we are going to be repaid the money, so they have no impact on the budget overall, whereas the \$1.3 billion refers to the output funding, grant and rebates only.

Mr D O'BRIEN: Okay, so total output is still \$1.3 billion?

Mr HINCKSON: Yes, that is correct.

Mr D O'BRIEN: Okay. Thank you.

The CHAIR: Thank you, Mr O'Brien. The call is with Mr Sam Hibbins, MP.

Mr HIBBINS: Thanks, Chair. Thank you, Minister and team, for appearing this evening. Fifty thousand rebates on solar panels for Victorian renters was the commitment made at the start of the program. I believe you have referred to it subsequently. Do you still stand by that commitment?

Ms D'AMBROSIO: Yes.

Mr HIBBINS: How many subsidies for solar panels have been provided for renters?

Ms D'AMBROSIO: For renters?

Mr HIBBINS: Yes.

Ms D'AMBROSIO: I will get you that figure in a second. I will preface it by saying that there was a need for us to develop up the design of how that was actually going to work, so that meant that we were not able to kickstart that as quickly as the rest of it. So far we have approved more than 1000 applications for rental

properties and a further 800 renter households. There have been 1076 applications approved, and 810 have so far been installed.

Mr HIBBINS: And at that rate you are still confident that you will reach the 50 000?

Ms D'AMBROSIO: Yes. Look, I understood where the question was focused on. There was not a delay, because we actually needed to build it up, but we needed to work through how the loan component was going to operate, which needed us to work through some regulatory reforms—I am going from memory here—to enable a loan component to be made under the *Residential Tenancies Act*, so legislation had to be changed to enable us to be able to extend it to that. There was therefore not the full opportunity available for those rebates, if you like, to be out there. That sort of caused us to be slower than what we would have wanted to be because of those reforms that we needed to make. But we anticipate that with the bigger and more robust campaigning around this and word-of-mouth and really marketing this the rental side of things is really going to grow significantly.

Mr HIBBINS: I mean, these changes you put in place, they were—when were those changes put in place?

Ms D'AMBROSIO: I will ask Stan to just give you some of the detail around that.

Mr KRPAN: We launched the program on 1 July 2019. The legislation passed at the end of 2018.

Mr HIBBINS: For renters? The changes?

Mr KRPAN: For renters, that is right.

Mr HIBBINS: I mean, just looking at the—

Mr KRPAN: Sorry. It was 1 July 2020 that we launched the loans program, and it was at the end of 2019. Sorry, I have mixed my years up.

Mr HIBBINS: Okay. Because even just looking at the numbers for November, it is about a quarter of what you would actually need to be meeting the 5000-a-year target.

Ms D'AMBROSIO: Yes. Look, we understand that it was always going to be a trickier cohort, if you like, to get through to. But we do expect that demand will increase, absolutely. And as more and more people—renters—take it up, there will be more promotion around that, and the benefits of it will be there for people to see, so we do expect that demand will grow.

Mr HIBBINS: So when you say promotion, do you mean promotion as in word of mouth, that some renters have got solar panels, or it is actually dedicated promotion for renters to access the scheme?

Ms D'AMBROSIO: Yes, dedicated.

Mr HIBBINS: And what form does that take?

Mr KRPAN: We have been promoting the program since 1 July. There was not a lot of awareness, and obviously it was difficult to do that before the legislation was changed. That has been happening since 1 July, and in the six months from June to now demand has doubled, so we are now getting about 130 applications per month and we will expect that to continue to grow. We have been working with the Real Estate Institute of Victoria to promote the program, promote that offer and attend their seminars et cetera, and we would expect that early in the new year we will be promoting the program through active advertising, communications—whatever—newsletter, website, all of those sort of things.

Mr HIBBINS: Would you be able to provide for the committee the postcode breakdown for installations for renters?

Mr KRPAN: Yes.

Mr HIBBINS: Terrific. Thanks a lot. Thanks, Minister. Thanks, Chair.

The CHAIR: Thank you, Mr Hibbins. That concludes our time for the consideration of the solar homes portfolio and indeed our considerations with you today, Minister.

Thank you to you and your officials for appearing before the committee today. The committee will follow up on any questions taken on notice in writing, and responses will be required within 10 working days of the committee's request.

The committee will take a short break before consideration with the Presiding Officers, so I declare this hearing adjourned. Thank you.

Witnesses withdrew.