C O R R E C T E D V E R S I O N

ECONOMIC, EDUCATION, JOBS AND SKILLS COMMITTEE

Inquiry into community energy projects

Daylesford — 30 May 2017

Members

Mr Nazih Elasmar — Chair
Ms Dee Ryall — Deputy Chair
Mr Jeff Bourman
Mr Peter Crisp
Mrs Christine Fyffe
Ms Jane Garrett
Mr Cesar Melhem

Witnesses

Ms Genevieve Barlow, Communications and Engagement,
Ms Meg Norris, Group Participant, and
Mr Simon Beckett, Group Participant, Renewable Newstead; and
Mr Andrew Skeoch, President, Newstead 2021 Inc.

The CHAIR — Welcome to the public hearing of the Economic, Education, Jobs and Skills Committee's inquiry into community energy projects. All evidence taken at this hearing is protected by parliamentary privilege. Any comments you make outside the hearing are not afforded such privilege. Hansard is recording today's proceedings. We will provide a proof version of the Hansard transcript so you can correct any typographical errors. I would like to invite you now to make your contribution. Please state your name before you start.

Ms BARLOW — My name is Genevieve Barlow, and I am the Communications and Engagement Director with our little project Renewable Newstead. Meg, Andrew, Simon and I all live in Newstead, and we are engaged in this project in some way or another.

Thank you for giving us the opportunity to speak today. It is great to have your Committee willing to come out and hear what we have got to say. The idea of communities actually taking responsibility for their own energy and being part of the game I think is really significant, so it is great to see this going on. I am just going to give you a run-down of what our project is, how it emerged in our community and where we are at the moment, and we will go from there.

Earlier iterations of our project began probably 10 years ago, so we have been actually focusing on energy in our community for a decade now. Our aim when we set out was to run our town on 100 per cent locally generated, grid-connected—because we wanted reliable connection—affordable renewable energy that also generates other benefits for our community. We know that any model we develop must be an opt in. We cannot force households and businesses to join in. We want to use locally based renewable sources, we want to generate additional benefits and we want to be grid connected. That was the clear voice of the community, and actually this is a really important part of our project—that it is a community-based project.

So while we are here essentially talking about energy, what we are really talking about is the essence of a community working together. The great thing about our project and where we are at at the moment is that we are a community and we are working with the network. The project we are working on at the moment gives us access to the network Powercor—the distributor, I should say—and that is really significant, so I just want to talk about that a bit more further on.

I have said how we started working on this in 2008. We had a community summit, and energy came up then. The town said, 'Let's look at energy and let's see what we can do around that'. We had a lot of different projects emanate from that, but the energy one has been ongoing; we have done a lot of work in that time. I do not know if you have visited our town, but it is a beautiful little town and it sits on the Loddon River. I know that you are heading to Shepparton tomorrow, so I urge you to take the back road via Hepburn Springs to Newstead. You will love that drive; it is very beautiful. In our town we have only about 800 people, so it is a small town.

The CHAIR — Are you telling me we have to finish early to take the back road?

Ms BARLOW — Yes, most certainly. It is worth it. We have about 500, I guess, in the immediate surrounding area. We are surrounded by iron bark forests and on other sides by farming, so it is an interesting mix of people.

We are not a wealthy community; there is a low sociodemographic. In fact when I was looking at the 2011 census—the income was about $750 for a household; that was the total household weekly median income. But remember that was 2011. It will be interesting to see what stats come out on our population from the latest census. I think we will have grown, surprisingly enough, although we are within 1½ hours of Melbourne.

I have talked about how over the time we have done lots of projects. In 2011 we did a Newstead energy feasibility study. That was about: could we run the town, our stationary energy supply, on renewable resources? That came out with a 'yes'. There would be a few challenges. We needed about 1.6 megawatts of energy a year. Out of that we thought, 'Great; we've got stuff to go with', so we went around to all the political players at that time—and this was before the 2014 election—and we said to them: 'Here is our project and we really want to innovate here, and our innovation is about a community innovation as much

as it is about energy'. We went to see, as I said, players from all-coloured parties and we went to see Lily D'Ambrosio. Lily was so passionate and so interested in what we were doing, and she said, 'If we get elected, you're on.' So when Labor came in she rang us up and said, 'Okay, away we go'. She came up in February 2015 and announced that there would be a $200 000 grant.

Now, that project, as I said, is the current iteration of what we have been working on, but this one specifically is an investigation, really, and it is working on creating a model that is based on commercial viability: how could a small town have a commercially viable, locally based, renewable energy generation system? We do not want to cut off from the grid; that is most important. That is really important. People want to be able to go to their switch, turn it on and make sure it goes, so they need that guarantee.

So we are in the process of that at the moment, and we are now looking at developing our high-level business case. Again, I remind you, it is an investigation study. So we are not actually carrying the project out. It is an investigation. We have got to get stakeholder buy-in to our business case, and then we will, by mid-next year, present our commercial model and business plan to government. So that is just a summary of where we are at, and I am happy to take any further questions about any aspect of that or some of the other things you might be interested in asking.

The CHAIR — Thank you for that, and I am happy to put the first question. What factors will affect the commercial and operational viability of your project and how will you manage the risks to your project?

Ms BARLOW — This is really at the heart of our project, Nazih. What our project is working on is really a tariff that works for us. A portion of any bill includes the transmission, the generation, the distribution and the retail. We see room to play in the transmission and distribution area where we have got local generation. It is the pricing there that we can play with. So what is really important is long-term security around the network pricing and the tariff. So it is really a tariff innovation that we are looking at here.

Mr CRISP — Genevieve, I would like to explore the intricacies of the arrangement with Powercor, how the network is going to work and what people are going to pay. So first, in working with Powercor, they will continue to maintain the grid asset, but there must be a cost attached to that, so I am interested in that cost. Then we can move on to how you are going to develop the network behind the meter. How is all this going to work?

Ms BARLOW — I wish I could tell you in detail right this moment, Peter, but I guess we have still got a bit of work to go. So to your question about Powercor's charging and the fact that they still need to be paid for the network, of course they do. We would go to them and we would say to them, 'Here is the future: batteries, solar panels'—in fact we have had this conversation with them and said, 'Could you give us a tariff that will make it feasible for us to run this on a commercially viable basis?' I do not know enough about it at this stage, Peter, to be able to tell you in detail, but it might comprise, say, a service fee—so an access fee, if you like—and then a price based upon your usage at peak time. It is quite a complex tariff that we are investigating with them. We do not know what it is yet, so I cannot give you much more detail on that, but that is the key work that is going on at the moment.

Mr CRISP — In developing this community scale, are you going to have a meter on the edge of town, meters in the town and a system of trying to distribute—or how are you going to work out who pays for what inside Newstead?

Ms BARLOW — Yes, well, that is the key thing, and again the form of that will depend on what Powercor is willing to come at. Originally we set out with the idea of actually having one bill and then everyone is in on that, but at this stage if the tariff that is under investigation is likely to come up, then it may be that we continue as is, if you like, but it is just a different pricing structure, though it would require that we put solar panels in and possibly, depending on how many households and businesses come in, we will decide whether we have just solar panels on roofs or that plus a small solar generator, and batteries of course, because we need to be able to keep that—we need within our community to manage the peak use.

Mrs FYFFE — Are you all volunteers?

Mr SKEOCH — Yes, pretty much; all of us are community volunteers. Within the budget we have space for our consultant, and Genevieve is our community consultant. Are you the only two paid…

Ms BARLOW — Yes. Our consultant is paid—we have a contract with our consultant — and I get paid on a very casual basis. We also use the funds to…

Mrs FYFFE — This is from the $200 000 the government gave you?

Ms BARLOW — From the $200 000, to pay for community events and…

Mrs FYFFE — Because I was wondering how you got your legal, financial and technical advice, whether you have people on the committee who can provide it, or are you buying that—you are paying for that?

Ms BARLOW — We will ultimately buy that. We have had some financial advice locally, but again from somebody who is really interested in our project.

Mrs FYFFE — So are you going to be reliant on Powercor for the technical advice on how the system would work?

Ms BARLOW — Again that really will largely depend on how much Powercor is willing to play, and in fact we are now at a really important stage where we will be speaking to the minister soon about further engagement with Powercor.

Mrs FYFFE — So people in Newstead can stay on the grid if they want to stay on the grid and do not have to be involved in this solar …

Ms BARLOW — Yes, and remember we are not going off grid.

Mrs FYFFE — No, you are not going off grid. It will be interesting what Powercor can give you, because of the bringing of the powerlines down to the town and not having as much power being sold.

Ms BARLOW — What might happen—and I really wish I understood this more than I do at this moment—is people actually might be able to use more power because we have got batteries. So, for example, I have sat in houses …

Mrs FYFFE — But that is not going to give an income to Powercor.

Ms BARLOW — No, but they are going to get their income from a set fee and from a peak usage rate.

Mrs FYFFE — Do you have any idea what the set fee that you are talking about…

Ms BARLOW — No idea at this point. The key thing is that really this is where the innovation is at. So the networks, for example, get funds, and I think they have a demand-management incentive scheme that gives them a fund to play around with where they do trials of on-demand management et cetera, but we think the real innovation is in tariffs and in social innovation. We are all in this together. This is a huge energy transition. I think the market players are fairly antagonistic towards each other, and the great thing about this grant and the arrangement we had with the players was that it brought the community and the network together so they begin to understand what is affecting each other, what we need to look out for and how we can make it work together. So that is where I think …

Mrs FYFFE — But Powercor are not a charity, so they will want a return on everything they do.

Ms BARLOW — Of course, and I think also there is a role for government to play here, because the risk for us—and there is huge risk; we understand the risk—is that we do all this investment, we do this

project, we bring partners in to help us do it, because we cannot do it, as we do not have that expertise, and then Powercor just goes, 'Ooh!', and puts their prices up.

Mrs FYFFE — When you say 'a role for government to play', what do you mean?

Ms BARLOW — I think that because there is a guaranteed rate of return for the networks, this is the problem. This is where we are stuck. Does government have a role to play there, where they might undo those guaranteed returns? Or give investors and communities a guaranteed rate of return if they invest in renewable energy locally?

Mrs FYFFE — We have a free market, to a point.

Ms BARLOW — Well, to a point, but I think they are also promised a rate of return on their investment, yes? So is it possible to phase that out over a period of time to make it actually a free market?

Mr MELHEM — You said there are 800 people living in Newstead. How did you go about consulting to get 800 signatures to endorse the project. Is it selective? Is it that you have invited people and it is whoever turns up? What is the process that was used, because I am really interested? It is a small town; you are talking on behalf of a whole town, so what process have you used?

Mr SKEOCH — The first thing is that the project has come from the town. There has been interest over a long period of time in this possibility. As we have gone on and formalised it into a project we have kept in touch with people—community newspapers and so on. Since Genevieve has come on and taken on the community engagement we have organised a couple of meetings with community. Out of 600 to 800 people we have got about 100 turning up on a Sunday afternoon for several hours to really sit down and look at the numbers and look at the technical difficulties, and that is a reasonable commitment for a very small community who have got other things on.

Mr MELHEM — I know—hundreds is pretty good.

Mr SKEOCH — I think we are getting good traction with the community. I do not think anybody has particularly arced up and said …

Ms BARLOW — We do have one man living in our town who actually dug the exploratory holes for the coal at Hazelwood, and I go and sit on his veranda with him every now and again just for a chat and to see how he is feeling about things, so he is a good barometer for me.

The community engagement bit is about saying, 'This isn't about energy', in a way. I am interested because greenhouse gas emissions and those things trouble me, but equally there are people there who are completely not interested and not engaged by that, so how do you tackle that? You tackle it on price.

Mr MELHEM — On return on investment.

Ms BARLOW — On the price that people pay for their electricity. If we have a good enough system, then people will opt in.

The other thing that I would like to reiterate, that Andrew said, is that we always seek social licence from our community, so we have gatherings, and we have had many more than two, but we go back to them and we say, 'Okay, this is where we're at now. What do you think? And this is what it might look like. We're not sure'. And they say, 'Yes, keep going'.

Mr MELHEM — That was what I was getting to. You have now passed the feasibility study. You have got your plans in place. You have found your partner, and you are about to start construction. Then the model about how you are going to distribute the power, whether you have one meter or how you are going to divide it amongst everyone—have you got a system in place, or are you thinking about one, to develop for other shareholders or the beneficiary? If 10 per cent of the 800 or the 600 said, 'Look, I don't want to have a bar of that', have you given some consideration to how you are going to advance? It is definitely a not-for-profit organisation, and that is where you are.

Ms BARLOW — Yes.

Mr SKEOCH — It is for community benefit, though.

Mr MELHEM — Yes.

Mr SKEOCH — So if there is profit it is working out how to distribute that—not necessarily financially, but how does the community benefit from the process?

Ms BARLOW — Can I just hear that question again please?

Mr MELHEM — It is how you distribute. The shareholders, for example—have you got shareholders?

Ms BARLOW — No we do not. We do not have our governance model for the project set up.

Mr MELHEM — You are not there yet.

Ms BARLOW — We do not actually have panels or anything set up. What we are doing is developing the whole model itself.

Mrs FYFFE — You are doing the concept.

Ms BARLOW — Yes.

Mr MELHEM — So that will be next on the agenda, I suppose.

Ms BARLOW — In the next wee while we are going to have the prices sorted and we are going to have to go to people and say, 'Well, Andrew, he doesn't want to spend any money on a solar panel on his roof, but he might be willing, if Simon's got a spare buck'—have you got a spare buck, Simon—'to host a panel on his roof', yes? So there has got to be a little cut in it for the person hosting the panel, a cut in it for the investor who might be local, but may just as well be from outside or somewhere else, and a good price.

Mr MELHEM — So based on the work you have done so far, how important is the feed-in tariff pricing to your project? It is going to 11.3 cents at the moment. I know you talked about having a long-term agreement with Powercor. How important is that out of 10—1 to 10?

Mr SKEOCH — I would say it is pretty crucial, isn't it? It is not the whole thing.

Ms BARLOW — Would you like to speak, and then I will go?

Mr SKEOCH — Yes. That is the viability part of it in the financial sense. If we have got something that we can work with, then the next viability part is the community sense. The technical side, from everything that I am hearing, is the least problematic. There are so many people that have got expertise and are willing to innovate and construct stuff; the real challenge is the business side of things and the community.

Ms BARLOW — And here is another perspective: let us say I am on the really good tariff, the top tariff; I get 66 cents. Down the road lives a woman who has got two children—she is a single mum—and she is on the top tariff, and I went to her and said, 'Okay, Louise, what do you think? If we have this project, you might have to lose your top tariff', and she said, 'I'm not going to do it for you and I'm not going to do it for my community; I want to hold on to this tariff', because she is in that circumstance, and we all love a better tariff. So we have to negotiate that. That is really important, because for the sake of the way the system might work, it may be that if you add to your solar panels, for instance, you lose your good tariff—your premium feed-in tariff. So there will be an issue around that that we will have to deal with.

The CHAIR — In your submission you recommend a scholarship for community members. Who should run the education program?

Ms BARLOW — This is interesting. This was a top-of-the-head thought, but maybe it is something for a collective of community energy groups to run, and I know there are so many, but maybe also it is worthwhile having a solid partner in that, such as a university that has an area that is very focused on this work and that is interested in research. I think that communities need help understanding how the system works. They want to be engaged, but they need to understand. I think it is like our leadership programs across the state: once you educate a few, then they can go and educate others.

Mrs FYFFE — Just to clarify, from what I asked before—and Cesar's—the status of your group, you must be incorporated; are you?

Mr SKEOCH — Yes.

Mrs FYFFE — Because you obviously have bank accounts because you have had the money paid in there.

Mr SKEOCH — Yes.

Mrs FYFFE — So you are a semi-official body.

Ms BARLOW — So what we have is the project itself is called Renewable Newstead, and we operate under the umbrella of an organisation called Newstead 2021 Inc. Andrew is the president of that organisation. So it is like an auspicing organisation and it holds the bank account.

Mrs FYFFE — Okay, because it was worrying me slightly; you were giving me the impression that you were a loose structure, and I thought, 'My God, has the government given you $200 000 when you are a loose structure?'. But no …

Mr SKEOCH — It is a really nice cardboard box we keep the money in!

Mrs FYFFE — Tell me where you have got it! If I could, what are you expecting the challenges when developing this community's—it is probably not the right question, because you are still investigating how you are going to do it. No, I will not ask that, because it is quite technical.

Mr SKEOCH — Could I just say one other thing that occurs to me, and that is when we look at any one aspect of this it seems like there are a lot of little tricky problems and some quite large problems, but when you stand right back from it there is a change happening in technology and in community expectations around energy and around pricing and there are changes in government. It looks like a difficult problem when you look at the details, but there is so much momentum there, and the biggest risks are actually if we do not do anything. As a small community and as the distributors and as the government, if we all sit back and do not do anything, then no-one has got their hand on the driving wheel.

So I think the role of this project is to be proactive in thinking about the changes and how we might navigate them as a small community, how the government might navigate them and how businesses like Powercor might navigate them. That is where we all come together in a common purpose. I know what you are saying about markets and competition and so on, but really we are kind of all in this together and we are trying to make something that works for everybody, which is a big ask. But the same time if we do not do that, then the risks are actually bigger than to the individual players. Is that making sense, what I am trying …

Mrs FYFFE — Yes. If when you had started on this journey—if we went back again—and you were seeking advice, what would you have liked from a government body to assist you with this project?

Ms BARLOW — There are two things, I think. We have a relationship and in fact a memorandum of understanding with the distributor. That is really important—so helpful. If the government can somehow connect communities with the networks and say, 'Please work with this community. They want to do that', I think that would be really helpful.

The other thing is, as a consumer in a small town there is nowhere I can actually go to. I know there is fabulous change going on and great innovation, and I know the possibilities are wonderful, but there is nowhere I can go and say there's a platform: 'As a community, they will show us how to do the funding, the commercial aspects, finding capital, finding how to do the public relations and the model for community engagement, which is at the heart of what we are about'. So I think that sort of platform would be wonderful, but maybe that is what is going to eventuate.

Mrs FYFFE — We will see what we recommend.

Ms BARLOW — Yes.

The CHAIR — Final question.

Mr CRISP — Yes, it is going to be around project investment. You talk about outside investors, yet the model that I am hearing you talk about is that the benefits are going to be for the residents in the form of a lower cost for their electricity, and some of the social benefits you talk about. How are you going to attract outside investors to get the rest of the money without delivering a benefit to them?

Ms BARLOW — Yes, well, we will deliver a benefit to them, Peter, and this is where the tariff is really, really vital. Powercor—we might be dreaming; we may well be—we might have to, come June, deliver our report and say, 'The problem is the networks have guaranteed their rate of return and they are not going to move', so there is not enough—what do you call it—wiggle room in there to give a return to investors. We are hoping the way that we can set up the tariff will enable enough there for the investors.

Mr SKEOCH — It does also depend on what investment we actually need. If we are talking about panels on roofs, that might be something that individual members of the town can provide, but if you are talking about a small solar farm, then we need to negotiate land and infrastructure, so it does depend on what we are building. If we are looking at something that will cover us over winter, I think we have had a few mumbles about pumped hydro from Cairn Curran, so there is more infrastructure. It may not work. It depends on what we are actually looking to build as to …

Ms BARLOW — It sounds like we want to be Santa Claus, Peter. But I think it is possible, and what we are saying is, like Andrew said before, we are all in this if we are going to have change. I know it sounds idealistic and altruistic but I do believe there is a genuine place—and I am sure Alan Finkel is trying to look at that now—for everyone's needs, the perpetuation of the grid, affordable energy for people and something there for the players. It has got to be worked out. Our model is attempting to do that on a very small scale and say, 'Here, it's possible', and to make it commercially viable.

Mr SKEOCH — And to be honest the viability of it might be in its replicability. On a Newstead scale it might be borderline, but once you start multiplying across small communities across Victoria, it might be an economy of scale or …

Ms BARLOW — We might come to Mildura, but you have already got your solar up there.

The CHAIR — All right. On behalf of the Committee, I would like to thank you for your time and contribution. Thank you very much.

Ms BARLOW — Thank you very much.

Witnesses withdrew.