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

Melbourne — 20 March 2017

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Mr Simon Corbell, Victorian Renewable Energy Advocate.

The CHAIR — Simon, welcome to the public hearing for 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, and we will provide a proof version of the Hansard transcript so you can correct any typographical errors. Please state your name before you make your contribution, and then allow us some time for questions. Welcome.

Mr CORBELL — Thank you very much, Mr Chairman, and thank you to you and members of the Committee for the opportunity to appear before you this morning. My name is Simon Corbell. I am the Victorian Renewable Energy Advocate. I would like to thank you for the opportunity to make some brief opening comments this morning. I wanted to perhaps just take the opportunity to explain to you the role of the Victorian Renewable Energy Advocate, which is a new position that has been established by the Government here in Victoria, and perhaps just make some very brief observations on community energy projects and their status and progress here in Victoria.

In relation to the role of the advocate, the advocate position was created by Minister D'Ambrosio late last year. Its purpose is to provide for an independent voice for renewable energy projects in the state, recognising that the Government has set some very strong targets to assist with the transition to a clean energy future for the state.

My background is as a previous Deputy Chief Minister and Minister for the Environment in the ACT, including membership of the COAG Energy Council for a period of approximately eight years. In that background I was responsible for implementing policies to assist the ACT to achieve a 100 per cent renewable energy target by the year 2020, and as a component of that, to support community energy projects in my previous jurisdiction.

Here in Victoria, since my arrival in January this year, I have been engaged with community organisations, industry organisations and the Government itself, in particular the Department of Environment, Land, Water and Planning, in understanding the challenges and the opportunities presented by the Victorian Renewable Energy Target and also other policy settings here in Victoria that are particularly important in the community energy sector.

In relation to community energy in Victoria, there are some very exciting possibilities and opportunities being presented. I know that the Department has presented to you the range of policy settings that they are pursuing to assist with the development of community energy in Victoria. My focus is on making sure that communities are getting the support they need and in particular to overcome the barriers that are currently presented to them in wanting to take up community renewable energy projects. We know there is significant appetite for community renewable energy projects in the state, and this was really shown very strongly by the Community Energy Congress, which was held here in Melbourne about a fortnight ago now—hundreds and hundreds of people from across the country, including many from here in Victoria, representing tens and tens of different local communities interested in getting involved in community-owned energy projects.

But some of the challenges these groups face include challenges around financial and technical skill sets that are needed to properly understand and scope community energy projects. Often they face challenges in relation to regulatory barriers—in particular, interactions with network operators, and the challenges involved in, for example, setting up new forms of energy market operations, such as peer-to-peer trading and the complexities presented by existing regulatory frameworks in that respect. And thirdly, coming to grips with what is often a difficult issue around what is a community energy project. Often they are considered to be 100 per cent owned by the local community, but increasingly, nationally and internationally, we are seeing a significant shift towards co-ownership models, where a corporate or professional renewable energy developer will partner with a community-owned group to share the benefits but also share some of the risks and costs associated with developing a renewable energy project for a local community.

Finally, Mr Chairman, I thought I would quickly outline to you that there are, I think, a range of exciting possibilities here in Victoria. One of those is to look at the implementation of the Victorian Renewable Energy Target itself, which will of course provide for a long-term contract to support renewable energy development in the state, and the possibility that is raised by the potential to use the Victorian Renewable Energy Target and that long-term contract to support the development of particular community-owned renewable energy projects. Long-term contracts provide for cheaper financing. They are a mechanism well understood by financial institutions, and that can reduce the cost associated with implementing renewable energy projects in the state, particularly at a community level and particularly if those technical and financial challenges that are often

inherent in the knowledge base of community groups are able to be overcome through support and information. With that, Mr Chairman, I will conclude my comments.

The CHAIR — Thank you, Simon. What was the rationale for introducing reverse renewable energy auctions in the Australian Capital Territory, how successful has the reverse auction process been for the ACT and should community energy projects be excluded, for example, from the auction process?

Mr CORBELL — I think the reverse auction program has been extremely successful in the ACT environment. It has been responsible for procuring just over 700 megawatts of large-scale solar and wind generation for the ACT. That includes four large-scale solar projects within the jurisdiction of the ACT itself and a further seven large-scale wind projects across the broader National Electricity Market, including in New South Wales, Victoria and South Australia. The key success re the reverse auction mechanism, which is used to award a long-term contract—in the ACT's case, a 20-year contract—is that it delivers very cheap and competitive costs for renewable energy generation. The projects that were supported by the ACT program at the time were the cheapest prices ever achieved for wind and solar power generation that are known in the broader electricity market, recognising that not all contract prices are known in the NEM. But to the fact that they were publicly disclosed, they were the cheapest prices.

The reverse auction program has helped to deliver a pipeline of projects that has brought down costs, and in particular the reverse auction mechanism has also allowed for other broader community benefits to be realised, in particular over half a billion dollars of investment in the ACT economy associated with research, development and operations associated with renewable energy projects, as well as significant improvements in community engagement. Again the reason for both of these things has been that the auction makes assessments about who is successful by making sure there are evaluation criteria for economic development outcomes and community engagement outcomes, not just price.

Ms RYALL — One of the key issues that we have talked about is the issue of new technology overtaking older technology at a rapid rate and the risks associated for people either involved in a community project at some point in time or the risk related to relationship breakdowns—wanting to opt out, selling the house—and personalities in terms of whether investments are good decisions or not good decisions, so all of the tension that comes from that as well.

In terms of your role but also the issue of then a community having invested heavily and then finding a short time later that they are repaying significant money and those investments are actually a lot cheaper than they were when they made them—so there are all sorts of risks and tensions that can come as a result of that—what is your role as an advocate in that process, and how do we make sure that we have got all the potential risks covered off before we get much further down the track in this?

Mr CORBELL — My role as the advocate is to work with communities where they seek out my help or indeed where I feel I am able to add assistance to talk them through some of the emerging trends and some of the changing dynamics that are occurring within the renewable energy sector and make sure they are familiar with that and indeed point them to other experts and organisations who are able to help inform their decision-making.

You are right to highlight the issue that the technology is rapidly changing, but at the same time that, from my perspective, is not a reason not to make investments in the technology as it exists now. We know that technological transformation occurs across a whole range of different sectors of the economy, but most of us do not wait for the version of the iPhone five years from now to buy an iPhone today. It is similar with renewable energy; we know that it delivers…

Ms RYALL — But we can afford to go to the next model up, and we make that decision personally.

Mr CORBELL — Sure.

Ms RYALL — We are talking about a group of people who are often thrown together, in that they may not choose to be associated with each other apart from this or they may have to be simply because they move into an area.

Mr CORBELL — Yes. Community-owned projects are entirely voluntary—it is important to stress that and that they are only for those individuals who are willing to invest in such a project. It is not a compulsory or a compelling mechanism in any way. But the point, I guess, to make about that is that we know that technology as being delivered now will perform at a certain level for the next 20 to 25 years and it will perform at a very efficient level. That is not to say that it will not become more efficient or more effective into the future, but you can make your assessments on the effectiveness of the technology based on how it is performing at the time—do the cost benefit around that, understand what your net present values are and decide whether or not it is appropriate to make the investment. So I do not see any particular challenges around that as long as you understand what the parameters of the technology's operations are and what it can deliver for you now and over the next 10 to 20 years.

Ms RYALL — And then if the relationship breaks down? You have opted in previously, someone leaves, someone is moving in—the whole range of variables that can happen, just human nature wise. I mean, I understand that you buy in, but stuff happens.

Mr CORBELL — That is true, but that happens with any other investment a household makes too, so I do not see it as in any way different or unusual in that respect. It does depend on the governance models for a community-owned energy project, but generally speaking the governance models that we are seeing are equivalent to a shareholding-type mechanism, so unfortunately if households suffer a family break-up or disagreement internally…

Ms RYALL — Or move out.

Mr CORBELL — or move away, they make decisions about how they resolve their assets, whether they are held in common or otherwise, and these assets would be no different in that respect. But that does not undermine the capacity to achieve a community ownership model. People can sell in and out of those arrangements.

Mr CRISP — Some of our community energy groups want a quarantining of VRET to community energy projects. Given the issues that they have faced and some of them being ideologically based, do you see that any sort of quarantining would present a risk to Victoria's energy security in the future?

Mr CORBELL — No, I do not, simply because the quarantining, if you like, or the allocation of part of the VRET auction program to community energy projects would be very modest in the overall scheme of the program. The VRET provides for 5400 megawatts of generation to be supported between now and 2025. The component that would potentially be made available for community-owned energy projects would be extremely modest—certainly less than 100 and probably even less than 50 or 20 megawatts. It could be a very small component of the overall VRET scheme, so I do not believe that it would have any real material effect on the achievement of the target or indeed the overall operation of the Victorian NEM region, but it could have a very beneficial effect for community-owned projects in terms of being able to secure cheap finance to allow their projects to be delivered and also to attract attention and assistance from renewable energy developers who have the necessary expertise to bring to bear to help groups realise their ambitions.

Mr CRISP — We have heard evidence to suggest that many of these groups are not in a position to make good decisions. To give them an allocation of the VRET without them being in a good position to make the best decisions, how would you propose to manage those risks?

Mr CORBELL — I would agree with you that those are risks and that many groups have the ambition but not necessarily the technical or financial skills necessary to make effective assessments. That can be overcome in a range of ways. I know that a number of these issues are currently being explored by the Government itself—for example, professional expertise, both financial and technical, can be made available to groups either directly by the Government or through a grants program that assists them to procure that expertise to help them make those assessments. Equally, the capacity to recognise that a community energy project can be developed as part of a larger commercial project can also help ameliorate those risks. For example, in the ACT, citing my previous experience, we did explore the option of providing for a larger solar farm project, which would have been a commercial project in the order of 15 to 20 megawatts, and having a component of that, less than 1 megawatt, separately metered but owned and with the payments from that generation going back to a community-owned entity. So there are ways of structuring the development of renewable energy projects to

mitigate those risks as well as, of course, ways to better inform and educate community groups so that they do have the necessary knowledge and expertise to make those assessments.

Mr MELHEM — Just following on from that, my understanding is that in Denmark, for example, they have got some sort of conditions placed where wind farm developers must have at least 20 per cent ownership of wind farms with local communities. Is that something we should consider here, and what are the pluses and minuses of a policy like this?

Mr CORBELL — I believe those types of models should be considered here, and as I understand it, the Government is open to looking at those models. As part of the VRET program, there will be assessment criteria in the auction framework that will look at the value the project brings, for example, in terms of community engagement and economic development, not just the price of the renewable energy that is generated and how competitive that is. So as part of that process the Government could set a strong standard that looked at project developers making commitments for community ownership.

We have seen that already here in Victoria. The project developed under the ACT reverse auction, the Coonooer Bridge Wind Farm in central Victoria, was developed with a component of direct ownership by the local community, and that was considered best practice at the time. It was recognised by the Clean Energy Council, the industry body, as leading practice for a wind energy developer, so I believe it has significant benefits. Obviously there is a financial benefit for the community—in this case the farming community there that were keen to secure an additional form of ongoing reliable income. I should add that it was not just the farmers who hosted the wind turbines but the surrounding community as well who were able to have shares in that project. But it was also important to build community engagement in that community and broader social licence for wind energy development in that part of the state.

Mr MELHEM — Let us not confuse the community energy renewable project with the larger scheme of things of looking at a 40 per cent target, which I think is at about 5000 megawatts.

Mr CORBELL — That is right.

Mr MELHEM — So let us not confuse the two, because it has a very small impact. Can you elaborate a bit more on that? I mean, it is no different than, for example, someone putting a solar panel on their house or that style of things. You distinguish the difference between the two. I know that from my point of view, on this Committee I do not want to get involved in the greater debate about who is right and who is wrong in relation to this but just focus on the renewable energy bit of it. Can you expand a bit more on that?

Mr CORBELL — Yes, of course. Generally speaking a large-scale renewable energy project that would go to the market currently under the federal renewable energy target like a large wind farm would be in the order of 200 to 300 megawatts in size at least, and similarly a large solar farm would be of a similar size. By comparison a rooftop solar installation on a standard home would be in the order of 2 to 4½ or 5 kilowatts. So it is much, much smaller. Most community energy projects in Australia at the moment tend to work below the 1-megawatt range. A big wind farm—300 to 400 megawatts. A community-owned project—probably less than 1 megawatt. Perhaps a community-owned wind farm may be larger than that. It may be, say, 6 to 10 megawatts depending on the number of turbines it has. So in any sense the orders of magnitude are different in scale, but that should not lead us to underestimate the complexity of building a community-owned project. It is very challenging, and it is important that there is sufficient technical and financial expertise brought to bear to assist those community groups. But it can be realised, and we have seen it realised here in Victoria.

Mr MELHEM — Sorry, Chair, just to follow on that, I was going to ask about Sustainability Victoria.

Mrs FYFFE — Okay, you go.

Mr MELHEM — Do you support the view that Sustainability Victoria, for example, should be appointed to assist this sort of community? I understand your role is somewhat different; your role is an advocacy role. But what do you think about the idea, because a number of stakeholders or people who have presented to the Committee have sort of suggested, 'Can we have agencies like Sustainability Victoria to provide this assistance, overseeing et cetera?'. Have you got a view on that?

Mr CORBELL — I do not have a strong view as to which vehicle it should be, but I would agree that there does need to be an outreach capability to provide that point of information and advice and referral that groups need, because often in communities what we are finding is there is one person who is really driving it and there are lots of other people who are around them who are supportive, but they are out in a rural or regional community somewhere. They are fairly isolated in terms of access. They are reliant on contact with people often in Melbourne or Sydney or elsewhere to get that information, and that can be quite challenging. So if there was an outreach capability, and certainly Sustainability Victoria do have an excellent network of regional centres and liaison officers, that I think would make a lot of sense.

Mrs FYFFE — I have got two questions, if you do not mind, Chair. We have been hearing about wind and solar and community energy projects. How feasible do you think it is to develop projects using bioenergy and pumped hydro technologies?

Mr CORBELL — I think it is feasible. The challenges with some of those technologies is that they are less mature in the Australian market, and therefore the risks associated with them are higher. For example, bioenergy—certainly there is a lot of appetite for bioenergy projects. I was in the Grampians region a couple of weeks ago—Horsham, Ballarat, Stawell and other towns—and there was a lot of interest in that area in Victoria around bioenergy. The challenge with it is that there is not a well-developed pipeline of projects in Australia, so the industry is not well attuned to what it means to build a project like that. That brings extra risks—financial and technical risks—because there is less familiarity with developing that technology here in Australia. Equally there is less familiarity with how you secure the supply chain of fuel that is needed over a long-term commitment to make sure that it is a bankable project, because if there is any uncertainty around the supply of the fuel over the long-term, that makes it much more difficult to procure finance.

Mrs FYFFE — And there are geographical limitations to this, and the cost of transporting the fuel.

Mr CORBELL — Absolutely. I would say that both of those technologies are certainly feasible, but they do present their own challenges, particularly bioenergy, because it is a less mature type of energy being developed compared to, say, solar and wind, where there are now many developers who are very familiar with how to deliver that in a very efficient and financially viable way.

Mrs FYFFE — The second one is probably unfair because you have only been in the job eight weeks. Have you identified any key barriers to these community energy projects that the Victorian Government could work on and change?

Mr CORBELL — I think the number one one is the one we have been discussing, which is the injection of a mechanism to provide technical and financial advice to groups.

Mrs FYFFE — Yes, that has come through very strongly in the submissions we have had.

Mr CORBELL — I think that is very, very critical. The other barriers are around distribution businesses—the network operators and how they allow trading to occur within their network. For example, if an entity at one location or at one residential address wants to sell electricity to someone at another residential address, can they do that? At the moment there are significant regulatory obstacles to doing that which really are simply a function of the way we have designed our electricity networks historically, and we are now having to think about a new way of viewing our electricity networks to allow those types of exchanges to occur. I think in respect of that and in respect of the technical and financial issues, the Government is certainly familiar with those barriers, and I would encourage them to continue to address them.

Mrs FYFFE — Thank you.

The CHAIR — So if low-income households may not be able to participate in the energy market, what can the Victorian Government do to protect them?

Mr CORBELL — I think with low-income households the first point to make is that for many households which, for example, are renting or are in social or community housing, community energy projects do present a real opportunity. Because of the nature of the tenure of their accommodation, they do not have the capacity often to have solar on their roof, let alone the financial means to afford it. So the capacity to be able to buy into a community-owned energy project, often at a much lower cost than it would cost them even to install solar if

they did have that potential, is a real opportunity. I think that is the first point to make. You could potentially secure people being able to buy in to solar, for example, at a very cheap price compared to other more conventional means.

There are other opportunities such as the fantastic scheme that is being presented in Darebin. I am not sure if the Committee is familiar with that project, but that Darebin energy savers project is a very innovative mechanism that really helps low-income people save money on their electricity bills but also allows them to take a share in solar generation. So mechanisms like that are important. The one final one I would mention, Chair, is that energy efficiency must remain front and centre of the conversation when it comes to assisting low-income households. Offsetting the costs of a transition to a clean energy future by managing demand in households and saving households money up-front must remain a key policy response.

The CHAIR — Any final questions? Simon, on behalf of the Committee, I would like to thank you for your time and contribution.

Mr CORBELL — Thank you so much. Thanks for the opportunity.

Witness withdrew.