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

Sydney — 15 February 2017

Members

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

Witness

Mr Charlie Prell, NSW Organiser, Australian Wind Alliance.

The CHAIR — I declare open the Public Hearing for the Economic, Education, Jobs and Skills Committee's Inquiry into community energy projects. All mobile telephones should now be turned to silent. I now welcome Mr Charlie Prell from Australian Wind Alliance. In accordance with Victorian legislation and reciprocal provisions in other Australian jurisdictions, all evidence taken at this hearing is protected by Parliamentary privilege as if you were giving evidence in Victoria. Therefore, you are protected against any action for what you say here today, but if you go outside and repeat the same things, including on social media, those comments may not be protected by this privilege.

Any reporting of this proceedings enjoy qualified privilege for fair and accurate reporting as if the proceedings were in Victoria. The Committee does not require witnesses to be sworn but questions must be answered fully, accurately and truthfully. Witnesses found to be giving false or misleading evidence may be in contempt of Parliament and subject to penalty. All evidence given today is being recorded by Hansard. You will be provided with an approved version of the transcript for you to check as soon as available. The verified transcript, PowerPoint presentation and the handout will be placed on the Committee's website as soon as possible. So we invite you to give us a briefing and then the Committee has questions. State your name, please.

Mr PRELL — Thank you. I'm Charlie Prell, New South Wales Organiser with the Australian Wind Alliance. Just a little bit about the Wind Alliance, we're a community organisation and we're set up to facilitate the rollout of wind farms but not all wind farms. We favour well-designed wind farms and capturing as many of the benefits of those wind farms as we can for small regional/rural communities where they are generally built. We did originate in Victoria. We used to be called the Victorian Wind Alliance and we've become national.

Personally, I'm a farmer from Crookwell, about an hour north of Canberra. I just caught a train down here this morning. I'm trying to build turbines on my property. It's a pretty long, hard road to get turbines on your property but it's very beneficial for me as a host. There's six of us involved, so there's five other farmers involved in our project, but there's also within our project quite a number of our neighbours that signed up to benefit-sharing agreements. From a Victorian perspective, Victoria has the only community-owned wind farm in Australia, the two turbines as Daylesford, which I'm sure you're aware of.

Mr NARDELLA — We went and had a look at it.

Mr PRELL — I'm going down there next week, which will be great. The instigator of that project, Simon Holmes a Court, was the primary mover to set up the Wind Alliance and the Wind Alliance is independent of industry and of government and of any other factors. We take donations from the public and we take memberships. We've got nearly 700 members. I think it's just gone over 700 members across the country. Our passion is for wind, obviously. It's funny that the wind turbines don't make any noise for the people that are involved with the wind turbines.

So the main issue with wind turbines is not about the turbines themselves. It's generally about the ownership structure of the wind farm, the development. That's really easy to solve and it has been solved, once again in Victoria. There's a company called Windlab who built the Coonooer Bridge Wind Farm up near Bendigo, I think, south of Bendigo. That project has about 4% or 5% of equity that they gifted to people within the precinct of that wind farm. This is all in our submission. There was only one objection to that wind farm and it sailed through the planning processes in Victoria under a much more stringent regime than is currently in place because the people that lived in that local area all felt like they were part of the project; they had ownership in the project. The company that developed that project, Windlab, are doing another project, and I can't remember the name—it's in our submission—out near Nhill in western Victoria.

A couple of days ago I went to a forum at the ANU in Canberra where a guy called Soren Hermansen from Denmark spoke. He's from the island of Samso, which is just off Copenhagen in Denmark. In Denmark there's a requirement that 20% of any wind proposal has to be owned by the local

community. Guess what, the turbines in Denmark don't many any noise or cause any disruption either because there's a really strong local component.

It's really hard, because of the size and the cost of building wind turbines, to incorporate a totally community-owned structure, because communities are either unwilling, or immature I guess is the right word, or inadequately skilled to participate fully from the community up but, with support from government, either the local government and/or state and federal governments, there is an opportunity to empower those communities to actually capture a lot more of the benefit that we're currently seeing from wind turbines into regional communities.

Our passion is for wind. The contribution that wind can make—and I've stated this publicly many times as a farmer but also from the Wind Alliance's point of view—to regional Australia potentially is another gold rush, at least another wool boom, but it's up to those regional communities. Sometimes they're small, immature, et cetera. It's up to those regional communities to capture the benefits of those turbines, a significant proportion of the benefits of those turbines.

There has been and will be a lot of discussion about renewable energy over the next 12 months from a federal government perspective, probably state governments as well. I personally don't see any issue with turbines except for the development model that's currently used in Australia and if you can assist in improving that development model to incorporate much more local ownership, be it either community owned or equity owned or similar to the presentation you just heard, I think the acceptance of wind turbines would be far greater than it currently is, even though it's actually quite high compared to the rhetoric you hear in the media. So I welcome your Inquiry and I really am pleased to be here to speak to you today.

The CHAIR — Thank you, Charlie. Your submission mentions that community ownership of a wind farm could be achieved through a debt instrument such as bonds. Has this method been used before and what are the benefits of this method?

Mr PRELL — Not that I'm aware of but it has been used in the Coonooer Bridge model that I mentioned, not through bonds but through gifting of shares and having an allocation of shares that was strictly defined so they could only be issued to people that were within three kilometres of the turbines. There is an opportunity for canny investors to invest in wind farms but, because wind farms are so large, they're owned mostly by multinationals. There's two or three Australian companies that are involved in the wind industry. It's very hard for people to actually invest in a particular project in their local community unless it's through someone—

Ms FYFFE — Because of the dollar value?

Mr PRELL — Yes, and if you buy shares in Infigen, which is one Australian company, it doesn't necessarily mean you're buying shares in the famous one that they own, Capital Wind Farm, that Joe Hockey didn't like.

Mr MELHEM — Just to follow up on the comments you made about the changes that state governments can do in relation to making life easier, you talked about local ownership. Are there any other issues we should look at to make it easier to invest in wind farms and particularly community projects?

Mr PRELL — From a government perspective I don't think so. The hardest part of any community ownership—and you heard it once again just a minute ago—is the start up. It's getting the equity to actually get the project off the ground. The most common model at the moment is through small community-owned solar projects, generally of only 5 to 10 megawatt capacity. One wind turbine has three megawatt capacity these days; it will probably be greater than that in the future. So getting a community-owned solar project—for instance, there's one in Goulburn in my local city—off the ground without any government support is virtually impossible. You need some sort of certainty and,

unless you have a philanthropist that's ready to back you, you need some sort of certainty to kick-start the whole process and maybe that's something that the government could look at. There is a thing called Sustainability Victoria, I think.

Mr MELHEM — Yes, we've seen your submission in relation to that.

Mr PRELL — Yes, so institutions like that I'm sure can. In New South Wales there's the Office of Environment and Heritage that don't fund things but they do support people with logistics and doing environmental impact statements and things like that. So, once again, as Andrew said, it's about contributing logistics rather than cash, giving logistical help.

MR CRISP — I'd like to talk about payment in lieu of rates, because that's one of the barriers you've identified. How receptive have local governments been to that?

Mr PRELL — If you know local government as well as I do they'd be very receptive. There's a different structure within each state. In New South Wales there's no different rating structure for a farm with wind turbines on it compared to a farm with no wind turbines on it. There are moves within the New South Wales Government to change that status now but in Victoria there's a different rating system for turbines. I see that as a really beneficial thing because it gives the local government the opportunity to be a partner in the project. Generally with a turbine, the bit that spins on the top, the propeller, there's an intellectual property issue so they're generally made overseas but, as you probably know, most of the towers that have been made in Australia recently were made at Portland.

That business was really struggling under the collapse of the wind industry over the last two or three years. There's no reason why a lot more of the components for the wind turbines couldn't be made in Australia, even within the World Trade Organisation rules.

MR CRISP — Do you see that the rating mechanism on turbines as more favourable in New South Wales than Victoria?

Mr PRELL — No, I think it's actually more favourable in Victoria. It's just fairer; it's more transparent. In New South Wales there's a significant component of community enhancement funding that's imposed on developments in lieu of not getting an increase in rates. My personal opinion is that it would be better, instead of having the community enhancement funding which is imposed on a wind farm which, in some cases, is $100,000 or $200,000 or $300,000, it would be better to give that money directly to the community, either to the government through rates, the local government, or to the neighbours of the project, either through cash or equity shares or something like that. It's more transparent and it's fairer.

Mr MELHEM — There's been a fair bit of talk about power security in relation to the South Australian experience. How do you make sure these things don't happen, whether it's perceived or real? There's an argument that it isn't but obviously it's an issue we need to face going forward if we're going to keep moving towards renewable energy, and in particular wind, because that will give us high loads, et cetera. Have you got any thoughts on how we can maintain existing infrastructure and distributions and maintenance going forward?

Mr PRELL — There are two or three issues in relation to that. The first one is the national electricity market is absolutely broken and I know of the situation you alluded to in South Australia last year. There's a gas-fired power plant at Pelican Point. The owner of that entity is making more money out of buying gas, getting it on a long-term contract, at a very low price and reselling it into the gas market at the export price. When their power was needed last week during the heatwave and last year during the storm, they didn't have the gas to turn it on. That's a real weakness in the electricity market, because particularly peaking gas plants need to be the backup to provide base load power for wind, and solar for that matter.

Mr MELHEM — So what sort of changes do you recommend? I mean, at the moment, my understanding is it has to be emergency or catastrophic.

Mr PRELL — In South Australia last week, I think it was the Energy Minister, maybe the Premier, dictated to Pelican Point that they had to turn that power station on, but they still didn't have the gas to run the turbines to lift the power to the level that was needed. Interestingly, in New South Wales which, like Victoria, is dependent on black coal in our case, brown coal in yours, most of the black coal power stations in New South Wales last weekend when it was 40 degree plus couldn't run at full capacity because it was too hot. They would have overcooked the boilers.

The irony in that statement is just self-evident. So there needs to be a structural change, a transition from the current centralised coal-based technology to a distributed intermittent technology with appropriate backup. I know there's a gas-fired peaking plant between Wagga and Albury down where Tim Fischer comes from at Boree Creek. That plant has actually gone out of business because it wasn't profitable because it was built on the fact that they were putting power into the market when those peak prices, that I'm sure you've all heard about, were available.

Those prices are not happening any more. The peaks are still happening very, very, very intermittently and very short term, so the economics of having a gas-fired peaking plant owned by a private company just don't stack up. So they're not building them, for a start, which is the biggest weakness of the renewable energy target scheme and also, if they are built, then, because they're privately owned, there are other opportunities for owners of that business as I've just told you about recently.

Mr MELHEM — Going back to Victoria, Hazelwood is closing down. We've got a few gas-fired power stations around Victoria. Would you then suggest that we need to provide enough gas for these power stations and maybe get them to work more often to make them a bit more profitable? Someone said the other day, 'Let's go and buy back Hazelwood.' I'm talking about transition whilst we support wind and solar and so forth.

Mr PRELL — Transition is the important word. Everyone has known for probably a decade that Hazelwood was going to close. There was no plan for the workers, which was really unfortunate, or the electricity system to take up the slack when Hazelwood closes next month. So there's no transition. All of a sudden there's a whole lot of workers, thousands of workers, that are going to lose their jobs and that have got to shift to find another job without any forward planning. And those workers all generally have the same skill base that's needed in renewables or gas; so they're all engineers or electricians, pretty much.

If there was a transition and retraining of those workers happening over the last decade then those workers would be smoothly transitioned into another job. The issue though about the transition is that the storage that everybody talks about—and it's not necessarily batteries; storage can be batteries or hydro or electric cars or lots of other entities—will come and it's happening so quickly that nobody, even the most optimistic forecasters, can keep up with the rate of change within battery technology/storage technology. Elon Musk is building a factory—it's probably nearly finished by now—but he doesn't even know what batteries are going to be made yet, but at least that's a bit of visionary thinking. When those batteries come on line—they're already available on a domestic scale in houses; there are some issues, I heard you say earlier, about fires and things—

Ms FYFFE — Storage and the price is high.

Mr PRELL — Like everything, building new renewable wind farms and solar farms or anything else, is really expensive upfront, but the ongoing cost is virtually nil as long as you maintain the infrastructure. It's the same with batteries. It's expensive upfront but, once you have the infrastructure installed, as long as you maintain them, it's virtually free to run them. At some point we're going to have to decide whether we want to move down that path in an orderly fashion to transition or if we're just going to let the current system go on until all those coal-fired plants that have to close by 2030

close, New South Wales included. I think Liddell is next on the list. They're going to close whether we like it or not because it's like an old car; they're just breaking down.

It takes a long time to build a wind turbine and it takes a long time to build a coal-fired plant and it takes even longer to build a nuclear plant if you want to go down that path. So we need to start doing stuff now. The planning work is already pretty much done. We just need to start doing stuff to make sure that we don't fall off the cliff before we have to climb back up the other cliff.

MR CRISP — I'm about to take us in a little different direction, back to the community energy target. Your submission recommends establishing a community energy target as part of the renewable option process for Victoria. Has that target worked anywhere else? Can you give us examples of where this works elsewhere?

Mr PRELL — The only one that I know of is Denmark and it was actually instituted by the government after Samso decided they wanted to become 100% renewable not only with electricity but transport, the whole lot. They are 100% renewable, so they have no carbon footprint at all, and because it's only a small island—it's about 5,000 people, I think—they dictated on that island under strong leadership that, if we are going to go down this path, everybody has to be involved, and they achieved their 100% target four or five years in front of their target, so they achieved it much more quickly than they expected to because the whole community was saying, 'Well, yeah, I'm in favour because I'm a beneficiary.'

Ms FYFFE — Did they receive much funding from the government?

Mr PRELL — No. They funded it all through equity, through loans, and the loan has obviously been repaid now. So it's like a shareholder, and they're actually exporting electricity now. They own ten, I think, of 11 turbines offshore, large ones, and there's about the same number onshore. It's only a small island, but they're actually exporting electricity into Norway when the hydro scheme in Norway start to scale down because there's less water, the same as Tasmania had a couple of years ago.

MR CRISP — Consumer protection in these community models, what structures do you need to get through all those issues? When you're looking at things like Denmark or even a community energy project, for those or are involved or even those who are consuming, what are the sort of protection measures in those ownership structure of the community organisations? How do you see wind in managing the risk to those investors and to the consumers?

Mr PRELL — Risk of financial loss?

MR CRISP — Yes, financial loss.

Mr PRELL — That's a good question, actually, because the biggest uncertainty out there at the moment is what is going to happen after 2020 in relation to the national renewable energy shift. Whether that goes towards clean coal or whatever I don't know and nobody does.

Mr NARDELLA — I've tried to wash coal but it doesn't get clean. On your hands it's awful.

Mr PRELL — Yeah, it's like mulberry juice; you can't get it off your hands. Consumer protection would be dictated at a government level by some certainty in the market, I reckon. There's this thing called sovereign risk which is raised a lot by the federal government in relation to all sorts of things, and other governments as well. If there's a stable bipartisan agreement to renewable energy, which is the underpinning of the Hepburn wind farm, those two turbines that you visited, if the renewable energy target had been scrapped a couple of years ago when Tony Abbott told us that he wanted to get rid of the whole lot and not just reduce it to 23%, that wind farm would have failed.

Mr NARDELLA — They're ugly; he's seen one from afar and they're ugly.

MR CRISP — Do you think Hepburn would not have been viable at that point?

Mr PRELL — It would have been under severe financial stress.

Mr NARDELLA — I think they told us that as well.

Mr PRELL — It's funny because there's no financial certainty to coal-fired generators. They used to be all government owned and now they're owned generally by multinationals, a lot of them by the Chinese. The only certainty they have is that, once they start their power plants, which take a long time and use a lot of juice to start up, as in oil to start up, and then they can't shut them down overnight—they've got to cool them down slowly or they crack like a bottle that's cooled slowly—their certainty is that they have this thing called base load power and the inherent support of the federal government for generating electricity, which is why all these lights are left on in the middle of the night. It probably doesn't answer your question directly.

MR CRISP — No, but it's a view that is important, thank you.

Mr PRELL — The other little point I would make is there is a level of certainty that can be achieved by local government both in investing in that infrastructure and using that energy out of that infrastructure so it becomes a self-perpetuating cycle in regional economies, which is what I'm passionate about because I live in one of those.

The CHAIR — Charlie, on behalf of the Committee I'd like to thank you very much for your time and your evidence. Thank you.

Committee adjourned.