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 — 7 November

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Ms Heather Smith, Management Committee Member, Citizens Own Renewable Energy Network Australia *(via videoconference)*.

The CHAIR — Good afternoon, Heather, and welcome. I have to read this for you—it is a formality before you start. 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. 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 state your name and then say whatever you would like to say to us, then allow us some time to ask you some questions.

Ms SMITH — I am Heather Smith. Thank you for that. I am representing CORENA today. CORENA stands for Citizens Own Renewable Energy Network Australia. We were invited to make a submission to the inquiry because we have been noticed on the community energy scene and we have formed part of the community energy toolkit that Victoria has produced. I am talking on behalf of CORENA, but also I have a background in climate change policy and industrial energy efficiency, and I have just come back from a three-month study tour with a Churchill Fellowship looking at energy transitions in a number of countries and the role community energy is playing in those energy transitions. I am hopeful that you will be interested in some of those insights as well.

The CHAIR — The first question before we start is: did you hear us before when we were talking, or did we not have any connection at all?

Ms SMITH — No.

The CHAIR — Okay, we will start with business. Thank you very much. Can you provide to the Committee some examples of projects CORENA has delivered and explain how projects are chosen and donations are collected?

Ms SMITH — As you are probably aware, CORENA runs a revolving fund, and we have built that fund up from scratch. Our project pipeline is not very big. We have been cautious about advertising willy-nilly, 'Hey, we'll put solar on your roofs', and we have actually reached out through our members and our own community, but I think also our pipeline is not big because it takes a while to get organised to do a solar system. A lot of the community buildings that we are doing them for would not typically consider that they can afford to look into solar and energy efficiency, so they do not bother doing that early work.

Since we have found our revolving fund funding projects almost once every six weeks—you know, we have started to get quite fast—we have been racing to keep up with projects in our pipeline to put on our website and fund. Now, how we choose organisations is by going through our members and groups that we know. It helps that we have often got a trusted relationship with the community group that has been approached. We have some criteria. We say that they have to be a not-for-profit, and we ask them to demonstrate the benefit they are giving to the community. We have been a little shy with some groups that do not maybe fit our values, but we have often sent them off to think about it as much as anything. Often projects are just not complete enough for us to fund them straightaway. We are very much part of the Coalition for Community Energy, and that provides a great network across Australia for promoting what we do and finding projects too.

Mr CRISP — I would like to understand a little more about how your revolving fund mechanism works and whether it can become self-funded at some stage.

Ms SMITH — We are looking to scale up and grow, so it is self-funding. But do we want to stop with the fund as we have it at the moment—the $150 000 in assets that rolls round and round and funds five or six projects a year, hopefully—or do we want to grow and continue to add to that fund with donations and engage more of the community? Our principal aim as an organisation is to reduce carbon emissions, so yes, we want it to grow. We want to deliver 20 or 30 projects a year, so we will not stop at it being self-sufficient. We will seek to reach out to those people that want to see their investment perpetually delivering value. That is the proposition that we push back to donors: 'Give us your money, and we will make an impact with it, and we will make that impact again and again and again'.

Mrs FYFFE — The installation of solar panels on buildings not owned by the occupier, do you work with that? If you have a tenant in a building who wants solar panels, how do you work around that?

Ms SMITH — It is one of our deal-breaker-type questions. We do not go too far into a project unless the project advocate has checked out all of these things. We have not actually done one where there was a problem between the landlord and the tenant. I am not 100 per cent sure whether any of ours are not owned by the community organisation, but if they were we would be asking for them to be assured that they had whatever arrangements in place with their landlord to show that they could sign our agreement. One of the early things we do is send our agreement to the project proponent and say, 'Run this past your board. You must get in-principle agreement that they will be prepared to sign up to this loan with us'. The loan system hooks that organisation in for six years or whatever the term of the loan ends up being. Some of them have paid it off in three years. That is at the heart of the organisation taking responsibility for that, and our deal-breaker checklist is about 'We've been caught out before' or 'We're aware that these things could catch us out. Check all these things before we go too far down the road of developing this project'.

Mrs FYFFE — Thank you.

Mr MELHEM — In your submission you talked about independent advice, and you went on to say that community groups need to have access to independent advice. Who should provide that advice, and what would be the best way to provide it?

Ms SMITH — A lot of our members are retired technical people, so sometimes they help develop the advice. We have a solar energy efficiency installer who is an active part of our committee and part of our technical committee—we have a number of engineers on our technical committee—so we can access their advice. Ekkehard has been very careful about keeping his business—not doing the installation of any of these projects but rather assessing the installation proposals from the installers as they come in as someone who knows the industry and is well versed in what is a good deal for the community organisation.

Mr MELHEM — Should the government, for example, provide that facility for people who are seeking advice or should they stay out of it?

Ms SMITH — I have worked in government. I think you would be mad to. For a start, governments never like the liability. Secondly, governments do not have people who are out in the industry every day. Governments cannot go back to the proponent and say, 'Look, I know it looks like a good deal, but I don't feel right about this person', or something like that. I do not think governments should provide that, but you could certainly be creative about how you set that sort of thing up. You could have an advisory panel of industry experts who bring their day-to-day industry knowledge to the table and offer that service. You could pay them. I imagine there are creative ways around that issue.

Our due diligence is, I think, important. I also think the work we do helping make the project right is important. We do not leave it up to the installer to say, 'This is the best thing'. We push them and say, 'No, we don't think this is a 10-kilowatt project. We think it's a 6-kilowatt project. Give us a quote for that', or 'Have you checked the lighting?'. Sometimes that is a bit harder to do remotely, and we rely on our members and people on the ground to sort of ground truth those things.

Mr MELHEM — Should there be some sort of coordination? Various communities want to learn from each other, and I think what we have heard so far is that it is important that they feed from each other about what went right and what went wrong and try to save a bit of cost. The set-up cost for a wind turbine, for example, in Daylesford with 2 turbines, was not that far from setting up 100 turbines. Do you recommend a level of coordination by an agency to assist communities, trying to share information, trying to reduce costs and making these things a bit more viable, or just let the market dictate or decide who does what?

Ms SMITH — I think there is value in putting some resources into creating projects. In a sense the community organisations get that value back. If you take a fixed project to an installer, often they will give you a cheaper price because you have done the project capture work, if you like, which is built into their normal sales price. Sometimes the installers have a relationship with these community groups and they are actually happy to do a good deal because they are part of that community. Now, another risk for your

proper technical panel insisting on things being tickety-boo is undermining what value communities can create in their own communities with their own local installers, so our due diligence is a little bit light-handed in that sense. But I definitely think we as an organisation, if we are going to grow, are not going to be able to sustain the project development costs, the volunteerism that is involved, for tonnes of projects a year. So for us having some sort of financial support for people to develop those projects and do those projects that work—and it can be good energy efficiency work too, which directly creates a value—I think is where resources are best pushed into this process.

Mr MELHEM — So would you suggest, for example, the establishment of a fund to assist in growing community projects in relation to renewable energy?

Ms SMITH — Look, one of the models we have been wondering about concerns the community grants process that we have in South Australia—and Victoria probably does too—where little $3000 to $20 000 grants get given to community groups. CORENA have been sniffing around, saying, 'How can we use that grant money to charge our project fee?'. It might be a $10 000 project. What sort of arrangement could we make with the Department of Families and Communities, or whatever they are called, to skim off 10 per cent of that project cost every single time so that we create a more sustainable model for ourselves? I think giving community groups, or creating those sort of mini fund, start-up fund things is definitely worthwhile. If I can give an example—a much bigger example, I am afraid—from Denmark…

Mr MELHEM — That is what I was going to lead to.

Ms SMITH — They have four main laws in their latest wind energy planning for wind farms, and one of the laws is that community groups can access up to 1 million kroner, which must be $200 000, to do project development. It explicitly recognises that project development is not something community groups have ready access to funds to do. If you look at project developers, they probably have some sort of win-some, lose-some approach to their project development, because they invest an awful lot of time and effort in trying to get projects up, but they have got those deeper pockets to be able to cope with that, and community groups certainly do not. So with the four rules, that is certainly one of them, giving community groups cash up-front to develop projects.

The CHAIR — In your submission you mentioned that CORENA is growing at a pace that may outstrip volunteer capacity. How will CORENA meet this challenge?

Ms SMITH — Well, that is why we are looking at partnerships. If we can convince governments that their grant money is well spent with us and we are delivering value back to the community sector for them, I think we could start to develop a fee-based model where we take a project fee for every project that we deliver. We are also looking at whether we are interested in changing the nature of loans. This is early stages, and the committee has not really had full discussions about it, but if we did charge a project fee, it would take an interest-free loan to about a 1 per cent loan—you know, something quite modest in the whole scheme of things. So one of the options might be that we charge a little bit of interest and then reroute that money into a project fee to help cover our costs. In fact we think we do have a fair bit of volunteer capacity to drum up projects, and where we need the money is actually in marketing and business development, but at least we would then be trading all the volunteer work that we do for something that is useful for the organisation.

Mr CRISP — You spoke briefly about energy efficiency creating value. Can you any examples of energy efficiency projects that CORENA have been involved in?

Ms SMITH — Almost all of our solar projects included looking at the lighting and looking at the hot water. In fact we lent $20 000 to Yackandandah hospital purely for an LED lighting project; they had already funded their solar panels themselves. I do not know what proportion, but quite a large proportion of our projects included a lighting upgrade, and at least one or two projects of ours have queried how the hot water is produced. I know with one of the ones I am dealing with at the moment we are looking at a Quantum heat pump hot water system, which is four times more efficient than the electric hot water system

that is currently there. So they are pretty simple projects, not deep: 'How do we completely improve your heating and cooling?', which of course is one of the big energy efficiency areas that buildings need to look at.

Mrs FYFFE — You have done work across various states in Australia. Is any state easier to deal with? Can Victoria learn from any of the other states about how to make things happen quicker and better?

Ms SMITH — I can take that question on notice if you like.

Mrs FYFFE — Certainly.

Ms SMITH — But things have been a bit of a moving feast, and we have relied upon our local members, who are often solar installers and quite familiar with the rules, to help us wade through changes. The time it takes to get approval to install has been good in South Australia for quite a long time. We had our big flurry and a lot of things got improved. I have had some criticisms about a project that I am involved with in Victoria in that sense. I have found ACT are very opaque to deal with, and this is because they do not have a private market so it is hard to know how ActewAGL are going to behave, and in fact they slowed down their installation of a meter, even though we thought we had it all planned, on one of our projects.

I think one of the other issues we have had to deal with is tariff changes. The proposal in South Australia to bring in maximum demand tariffs has undermined the profitability of projects here but also left us with no information, because we are taking small community buildings with one or two meters and quarterly—maybe monthly, but most often quarterly—electricity bills, and we are trying to guess what they might get as a maximum demand tariff when we have got no information. In fact the Victorian project I am on does not have a smart meter, despite your smart meter rollout, so I have been completely stymied by not being able to take their meter data and go to your energy choice website and give the client advice about where they should be buying their electricity because apparently they have not got a smart meter on there. That is on Phillip Island.

It is hard for me to know, really. I think we are going to continue to come across barriers all the time, and maybe one of the things to do is to keep an open dialogue with the sector about when rules change and things get harder or easier, so that you get that feedback.

Mr CRISP — You have been travelling recently. What are examples of international best practice in the community energy sphere?

Ms SMITH — A lot of the groups I went to see were actually battling the system—battling governments, battling incumbent energy utilities—so I would say that is the worst practice. Part of that is not happening here because people have more choices. The UK spent a lot of effort on community energy and funding, and they saw that very much as a local economic development process. I was under the impression that community energy in the UK had grown out of energy efficiency projects. The central government had paid neighbourhood groups to deliver energy efficiency and draft proofing in houses in their local area. I saw a lot of that relationship in the US because about half the states have energy efficiency standards and renewable power standards, and the way they deliver that is often through paying providers on the ground and their community groups to be delivering these things. So I think it is finding ways to allow funds to flow into the energy sector.

In the UK it is not your most obvious place for solar energy, but it has been a gateway in, and communities have then made the local renewable energy power station work because you have had resources on the ground that were already delivering energy efficiency projects and had a relationship with the community about their energy use. In Scotland Community Energy Scotland has spun out of their Highlands and Islands Enterprise, which is their regional economic development arm. It is much more active than south of the border in England.

In Denmark they do not call it community energy. It is just life, ordinary life: 'Our village produces its own district heating' and 'Our village has its own cogeneration plant' and 'Our village has decided to build a

wind farm'. I did go to a really great project in a little seaside village of 3000 people where the tension about building the wind turbines bang on the beach was resolved because they built just what they needed and they linked it to developing their harbour. Nobody really cared about the wind turbines, but the harbour was the lifeblood of that community. That is what they all cared about, and that was how they rallied around to build their own community energy.

Mr MELHEM — In order to encourage a community energy project, should we have regulation and, if so, what sort of regulation would you recommend to put in place? If you want to design the system, what would that look like, or should we just let the clear market dictate whatever?

Ms SMITH — Absolutely not. One of the reasons I have been looking at energy transitions through the lens of community energy is that I believe the energy system has to fundamentally change, and I am terribly disappointed that the local network credits ruling got turned down by the AER or the AEMO recently. We are not really getting some of the reforms that we need. If we understand an energy system of the future looking quite different from the one that we have today, people like Amory Lovins have been talking about distributed energy and the economic efficiency it brings over centralised energy. He has been talking about that for 35 years and finally we have the technologies that deliver it, but we do not have the market structures to deliver it.

I believe that some of the efficiencies are not to be gained at the household level; they are to be gained at the neighbourhood level. We do not have a market that encourages that community sharing of surplus energy on that scale. I think what we need to see and what we will see over time is different pricing at that local level. You have heard of Ross Garnaut. He chairs a company here called ZEN Energy. Their new market development pitch is, 'Let's not take an individual, let's take a whole community and let's run the whole thing as an embedded grid'. Are we going to just let those guys take themselves off the market or are we going to redesign the market so that it sees the whole efficiency across the system and heralds in a new era of decentralised energy? If I was going to make rules, rule.

In South Australia I am hoping to use my fellowship to really start a conversation about what our energy transition looks like. I have argued that community energy is vital because it engages the community in our discussion about what an energy system needs to look like, and the energy system itself is trying to redesign their system without involving the community. They underestimate the need to think about the community's values. In the places I went where people had bought the energy system, the people were asking for greener energy and more local energy and more control over their energy. They were engaging in 10-year battles, lobbying politicians and fighting the incumbents to get their own way, and they were winning. So to me we have a big, hard process, and the community is a very great part of it. That is why community energy needs to start to engage people in this discussion and develop the options for the future that the mainstream market will ultimately need to incorporate in their thinking. That was a bit of a rant; I am sorry.

Mr MELHEM — I was going to say can you send us submission about it?

The CHAIR — If there are no further questions, I would like to thank you, on behalf the Committee, for your time and your contribution. Thank you very much.

Ms SMITH — Thank you for listening. Okay. Bye.

Witness withdrew.