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 2016

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Ms Alicia Webb, Policy Manager, Clean Energy Council.

The CHAIR — Alicia, good afternoon and welcome.

Ms WEBB — Good afternoon. Thank you for having me.

The CHAIR — I would like to go through the formalities. 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 you to make a statement, then we will go through questions after you have finished. State your name before you start for Hansard.

Ms WEBB — My name is Alicia Webb. I am a Policy Manager at the Clean Energy Council. Thank you all for inviting me to appear in front of the Victorian Parliament's Economic, Education, Jobs and Skills Committee's inquiry into community energy. The Clean Energy Council is the peak body for the clean energy industry in Australia. We represent and work with hundreds of leading businesses operating in solar, wind, energy efficiency, hydro, bioenergy, energy storage, geothermal and marine, along with 4000 solar installers. We are committed to accelerating the transformation of Australia's energy system to one that is smarter and cleaner.

I already wrote in the CEC's submission to the inquiry that the CEC supports the development of community energy projects as an important tool for allowing members of the Victorian community to benefit from renewable energy. A vibrant community energy sector will cement Victoria's leadership in the renewable energy industry as well as creating many more advocates for the transition to a cleaner energy system. The renewable energy industry is not complacent about the strong political and community support it receives, and it continues to explore and implement different models for sharing the benefits these projects bring. A briefing paper discussing some of those models was attached to my original submission, and I am very happy to re-forward that to the Committee.

Benefit-sharing approaches that we consider provide the best opportunities for Australian communities include but are not limited to local ownership of projects, which is the focus of your inquiry; direct benefits, such as the provision of road upgrades and fire trucks; prioritised local employment and business contracts; community enhancement funds, which are already widely used across several states in Australia; neighbour remuneration schemes; and education and training opportunities. Which model is best for any particular project and community is a decision that should be made on a case-by-case basis in consideration of the unique characteristics of each project and in discussion with that community.

Today I will focus on local ownership of projects. Local ownership refers to the case in which members of the community can own a financial stake in a renewable energy project. A famous example is Hepburn Wind in Daylesford, where the project is owned by about 2000 people, the majority local to the wind farm. Communities around Australia are keen to copy that model, but it has proven challenging, in part because the time and skills required are substantial and of course the capital that needs to be raised is significant. This kind of community ownership might be better suited to utility-scale solar projects that can be built with less capital raised, and over time these simpler projects may become more replicable by communities.

Another option for community ownership is partial ownership of a developer-led project, and this has proven successful in a number of places around Australia, most recently in Coonooer Bridge in Victoria whereby shares were offered to neighbours within 3 kilometres of the project. Every neighbour who was offered these shares accepted them, and now those people can benefit from the dividends of that project.

A final example I will share with you is the proposed Flyers Creek wind farm in New South Wales. This project was approved by the New South Wales Government in 2014 and is currently going through the process to seek a modification before construction. The local community formed a cooperative called the Central NSW Renewable Energy Co-op, or CENREC. Anyone who was keen to take part could put money into the cooperative, and once fundraising is completed and the project actually gets constructed the cooperative will buy a financial stake in the wind farm to the equivalent of however much money it

managed to raise. This approach leverages the willingness of local people to own a stake in renewable energy and also leverages the developer's investment in the development process, the skills and eventually the economy of scale attained by building a much larger project.

I will finish by saying what I think the Government can do. Communities vary significantly in terms of demographics and needs. The renewable energy industry has learnt from experience that it is counterproductive to implement any one-size-fits-all guidelines or requirements on projects. In the case that a community is being proactive and wants to own a renewable energy project in full or in part the key barriers tend to be knowledge and resources. The Government or an agency such as Sustainability Victoria could produce legal and financial guides for communities, help fund the registration process of cooperatives or even provide a technical person who can assist willing and organised groups and help guide them through the extensive process.

Finally, the Victorian Government's renewable energy target is an excellent policy which will result in economic development for regional Victoria. In the CEC's submission to the auction design process the CEC said that projects selected in the auction should deliver value for money but also economic development for Victorians and quality community engagement. The auction is an opportunity to select projects that can demonstrate effective engagement and benefit sharing where appropriate. There is also an opportunity for the auction scheme to include other government priorities in addition to jobs and investments—for example, the ACT Government's scheme included a requirement for educational outcomes, and winning projects undertook initiatives including setting up university courses and visiting high school students. The Victorian Government may want to tie the auction scheme to separate education projects, energy efficiency targets, environmental projects or other outcomes.

That concludes my presentation, and I am very happy to take questions.

The CHAIR — Thank you for that, Alicia. You spoke about community engagement. How important is it for renewable energy developers to engage with local communities and gain a social licence to operate?

Ms WEBB — I can say unequivocally that it is very important to wind farm companies and solar farm companies to engage with communities. Without supportive communities it is a lot harder to build a project, and in some cases projects are refused by the planning authority, so it is vital actually.

Mr CRISP — You touched briefly on that New South Wales model where people can purchase into a larger project. That I think is indicating your preference, or perhaps I can ask: how viable are small-scale community projects, and should the Victorian Government be supporting those over the larger scale projects, over the economy of scale? Also, mixed into this, we know that in Denmark a new wind farm must offer 20 per cent ownership to the local community. Between those two issues, what does the Clean Energy Council see as the easiest way for Victorians to get involved in this community energy sector?

Ms WEBB — That is a good question. I do not think it is fair to say if we think the way forward is for small projects or large projects. I think a mix of projects that are appropriate to the community in which they are sited is absolutely the way forward. I think the way that the Victorian Government should think of this is to try to consider what they want out of the renewable energy scheme. All wind farms and solar farms, no matter what size they are, are going to deliver economic development to the region and jobs and skills. Usually a community enhancement fund is fairly standard, and they do things like build town halls and things. But obviously if you start building projects that are less economically efficient, then the overall burden of the cost of the scheme falls on energy users in Victoria.

I think the Victorian Government needs to consider if it is trying to minimise the cost of the scheme, which might result in larger projects overall because there are obvious economic efficiencies in building larger projects, or if it is trying to maximise economic development for Victoria and jobs and skills, in which case it could just write the evaluation criteria for the projects that would be selected through the auction scheme to reflect whatever the Victorian Government is trying to get out of it. If that is to ensure that as many Victorians as possible own part of a renewable energy project—I guess it is up to the people of Victoria to

decide if that is where they want to put their money—then they could simply indicate that in the evaluation criteria of the reverse auction process.

Mrs FYFFE — You mention in your submission the indirect social benefits. Could you expand on those and give some examples of how this works in other places?

Ms WEBB — Sure. There are lots of benefits. Generally the landholders, who are private landholders, site bits of renewable energy project infrastructure, whether that be a substation, a transmission line or the actual solar panels or wind turbines. They are paid. When they are paid they can reinvest into their land, they can hire more people to work the farm, they can do whatever they want—it is their money. But some projects are also having neighbour remuneration schemes so the surrounding landholders can benefit. And then, like I said, there is a standard community enhancement fund that is usually spent on things like community facilities, sporting facilities et cetera and sometimes environmental projects. It is really up to the community.

I think that is the key that I want to keep coming back to: a one-size-fits-all approach is never going to work. Different communities have different priorities and things that they want to see invested in by a large developer who comes into town.

Mrs FYFFE — And is this working well overseas? Do they work on similar patterns to those you are suggesting?

Ms WEBB — The Clean Energy Council is an industry association that represents Australian businesses and works within the Australian framework, so I am not really an expert on overseas systems. But my understanding from a recent tour of the United States is that certainly farmers and communities are benefiting and encouraging renewable energy developers to come to town.

Mr NARDELLA — You talked about barriers to knowledge and expertise. We have had renewable energy, community energy, stuff for a while. Why has the Clean Energy Council not coagulated or got together that expertise and then imparted that information and that assistance to smaller groups? Or should it be some other group's responsibility, or should it be Hepburn Wind's? Why has this not occurred already?

Ms WEBB — To be honest with you I think the answer is that it is more complicated than most community members realise when they gather at their town hall. You need lawyers and you need engineers and you need experienced project managers.

Mr NARDELLA — But why has the Clean Energy Council not done that? It has part of the expertise or could have asked for some grants or could have worked with philanthropic organisations, for example, or with others to provide that information, to provide that expertise, to provide that knowledge and maybe some of that legal assistance to the start-ups.

Ms WEBB — The Clean Energy Council as an industry association represents its members and spends their membership money on whatever is prioritised by its members. I can tell you that some of our members are doing that. For example, on the New South Wales project that I mentioned, Flyers Creek, it was the wind farm developer who paid for the lawyer to set up the cooperative structure that allowed the community members to start pooling their money in order to purchase in. It will inevitably be the one that pays for the lawyer that creates the contract structures.

Mr NARDELLA — What I am saying is: why is that not more formalised? If they are doing it for one, it may have a direct benefit for them I suppose—I do not know—but why not the Clean Energy Council? It may not be the Clean Energy Council…

Ms WEBB — I understand your question.

Mr NARDELLA — Just say it is not the Clean Energy Council. It might be — I do not know — Friends of the Earth. It could be anybody; I do not know. Why has something not been done? Why just rely on government to do something along these lines?

Ms WEBB — I understand. There have been attempts to do it. For example, there was a sister organisation of Hepburn Wind set up called Embark some years ago and their project was to build a wiki with exactly the kind of information that you are talking about because so many communities around Australia were calling Hepburn Wind and saying, 'We want to do it. How do we do it?'. They did attempt to do just that. I think part of the problem was that Australia's renewable energy policy stalled at a federal level, and also at a state level under a previous government, to the point where a lot of these communities had to give up.

Even when the guides exist and even if the legal structures and the contracts exist—and I think they will over time when more of these projects get set up but it is a sector in its infancy—I feel like you need actual skilled professionals on the ground in the communities. Hepburn Wind was very fortunate in that it had people in the community with the time and the expertise to invest. Not all communities have that. People have jobs. I feel like you really need full-time staff on a project this expensive and complex.

Even if the guides exist the communities do not always have the time resources. That is why I think there is a really good opportunity for communities to work with established developers, who have on-the-ground professionals, lawyers, legal teams et cetera, building these complex projects that communities can take part in without actually trying to create them from scratch themselves.

Mr MELHEM — Do you see any challenges that renewable energy is presenting in relation to transmission lines, for example, and distribution to various networks, such as from the Latrobe Valley all the way to Mildura? What sorts of obstacles do you reckon the drive towards renewable energy will cause in relation to the distribution network, cost and maintenance issues?

Ms WEBB — Do you mean what will be the barriers for the network businesses?

Mr MELHEM — That is one, and then long term. For example, if we finish up with a 40 per cent target for community renewable energy projects and we have satellite communities that are self-sufficient, what will that do to the network capability and profitability? Also, do you know of any obstacles now to these community projects being able to distribute within that community or outside?

Ms WEBB — Firstly I will tackle the question about the obstacles to the communities.

Mr MELHEM — Yes.

Ms WEBB — Firstly and clearly, there is no point building a renewable energy project of any type if it cannot put its electricity into the network. So if a line going to a community is a small line with a small capacity, that community is going to have trouble putting in a renewable energy project. Now that is just an engineering question and one that it would be helpful to have some strategic guidance to enable communities to understand. There is no point in a community in a not very sunny and not very windy region with no access to the network going to a lot of trouble to plan a fabulous new project that will never get off the ground. So there are technical aspects that communities need to consider about their suitability to have a project like this.

The second question is about barriers to connection. It costs a lot of money to design and implement a grid connection. Obviously when you build a larger project that is just another economy of scale that you get because it is a one-off cost. The Hepburn Wind project—two turbines—cost a lot of money to connect to the grid, a similar amount that it would cost Macarthur, which is 140 turbines. Again this is possibly an opportunity for communities to work with established developers building more efficient projects. However, there are ways that smaller projects can connect into smaller gridlines. A 140-turbine project needs to connect to a very big transmission line, but a smaller project, particularly a small solar project, can connect to a much smaller line, so that is fine.

In terms of what will an enormous amount of energy do to the network if communities start disconnecting, that is a much bigger question and one that I suggest this Committee poses to AEMO, the Australian Energy Market Operator. This is a very enormous technical challenge that Australia will have to go through as we transition the energy system from fossil fuels to renewables, and I am not sure it is a question that is specific to the community energy sector at all. It is an energy sector-wide question about what is the future of our energy system and how will Australia power itself.

Mr MELHEM — Yes, I think your response is a fair one, and I think we will put that to them. Price—should price be regulated, should it be auctioned? A community project of 500 houses—how do you set up the price?

Ms WEBB — Price for what?

Mr MELHEM — For electricity—tariff.

Ms WEBB — There is a wholesale electricity market.

Mr MELHEM — Yes, so do you keep that as it is or do you…

Ms WEBB — I suppose your question is: should the Victorian Government have a feed-in tariff, and if so, how should it set the feed-in tariff? I think that is a very good question. If the Victorian Government really wants renewable energy, it should work out a fair rate of return on an average project and set the price accordingly.

Mr MELHEM — What is your view on that? What do you think the price should be? Should it be 28 cents? Should it be as per the current one or does the current one need to be looked at? Do there need to be any changes to the current system?

Ms WEBB — Are you talking about the feed-in tariff for domestic solar?

Mr MELHEM — Yes.

Ms WEBB — I think it would be very different for a larger project because there are completely different economies of scale between putting 5 kilowatts on a roof and 500 kilowatts in the field, and I think it should be sized appropriately.

Mr MELHEM — Yes, there are two examples—the 5 kilowatt and the 500 kilowatt. But do you use the current system? If we want to encourage renewable energy and get into 40 per cent targets et cetera, for example, is the current mechanism to price electricity adequate or does it need changing? The two examples you have given are good ones—one is 500 and one is 5.

Ms WEBB — The Victorian Government are currently working on a very sophisticated and very forward-looking scheme called a reverse auction, and I do think that that is an appropriate way to move forward with this. What it does is it asks companies to come to the Government with proposals for a certain energy cost and it selects the cheapest one, and then the project builds and it pays it that price. So it is like a strike price. I suppose it is little bit like a feed-in tariff except it is sized more specifically to the economics of the project and it ensures that the Government always gets the best value for money—as opposed to, if you say 80 cents and I can do a project for 60 cents, I am going to have a windfall, but in the case of the reverse auction process I can only sell my project for 60 cents. Therefore the Government gets best value for money. I think the reverse auction system has been proven by the ACT Government as a very good value for money and efficient system that got projects built, and the Victorian Government is already hard at work—lots of people, sophisticated teams—developing a system like that.

Mr CRISP — I am interested in benefit sharing for different technologies. We know a lot about particularly Hepburn Wind—how they went about their benefit sharing. Are there any examples of other renewable technologies or sites that have got that sort of sophistication in their benefit sharing?

Ms WEBB — I think the renewable energy industry as a whole is moving towards more sophisticated benefit sharing. Like I said, some of the CEC's members are doing neighbour remuneration schemes. I would say nearly most projects have a community enhancement fund. They vary in size, but there has been a lot of work done in enhancing benefit sharing. Like I said, local contracts, making sure they hire local trucking companies, stay in local hotels—all that sort of stuff. It just means money going into the community. I think there was announcement recently about a big wind farm in Queensland that actually made some sort of economic analysis of the local economic benefit. I think something like 60 per cent of the total project investment was going to land in Queensland, which is pretty massive. These are hundreds of millions of dollars' worth of projects.

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

Ms WEBB — No worries. Thank you.

Witness withdrew.