P R O O F V E R S I O N O N L Y

ECONOMIC, EDUCATION, JOBS AND SKILLS COMMITTEE

Inquiry into community energy projects

Melbourne — 24 October 2016

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Dr Nicholas Aberle, Campaigns Manager, Environment Victoria.

The CHAIR — Welcome, Dr Aberle. I am sorry to hear that Anne is not well. Let me read the formalities to you. Welcome to this public hearing of the Economic, Education, Jobs and Skills Committee 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 that you can correct any typographical errors. I would like to invite you to make a statement and then allow us some time to ask you questions. Please state your name for Hansard before you start.

Dr ABERLE — Dr Nicholas Aberle, Campaigns Manager, Environment Victoria. Apologies again for Anne Martinelli being unable to make it. She is quite unwell. I was going to be more of a backing vocalist today, but I am now the lead vocals, so apologies if I do not have all the details with me. Anne is much more across the details than I am, but I am obviously still happy to talk and answer any of your questions.

Thanks for the opportunity to present to the Committee. As you probably read in our submission, Environment Victoria certainly welcomes the government's 2020 and 2025 renewable energy targets. I also think that community renewable energy will be critical to achieving these and more ambitious targets because it fills an important gap between the large-scale programs that we are expecting to see under the government's renewable energy auction scheme and domestic-scale rooftop solar. Furthermore, the shift to distributed power generation has amazing potential to really democratise electricity supply. We are seeing this with Uber changing the way we get around, we are seeing it with Airbnb in how we organise our accommodation and we are seeing it with Deliveroo and all these other things about how we get our food delivered to us.

Distributed generation is really part of that democratisation of energy, which is a fantastic thing because it gives people more power in their power. It is more than just that as well. It also has a fantastic role to play in actually making our grid more secure. After the South Australian blackouts, Andy Vesey, the CEO of AGL, was quoted in the *Australian Financial Review* effectively saying that a more secure grid would actually have fewer transmission lines and would be built much more around neighbourhood local-scale mini grids because you are then less susceptible to a giant weather event knocking over 30 transmission towers.

There is also the emissions reduction benefit of more renewable energy, which is obviously a good thing in this day and age of climate change where we are on track to 3 or maybe 4 degrees of global warming, which is going to be disastrous for everything. Community power has the potential to deliver very important social equity benefits by extending access to renewable energy to people who are currently missing out, such as often renters, people with inappropriate roofs or who just do not have access to up-front capital.

Environment Victoria has been working for several years through the One Million Homes Alliance to highlight the cost of our poor quality and inefficient housing, including, as I said, energy unaffordability problems in the face of rising costs, health impacts faced by people who are unable to adequately heat or cool their homes especially in extreme weather events, and also reducing greenhouse gas emissions. Around 900 000 Victorian households currently access electricity concessions, which costs the government around $170 million per year. This figure is expected to reach 1 million Victorian households on energy concessions by 2021–22. The impact of energy unaffordability is also not spread evenly across our community, with regions such as the Latrobe Valley identified as a disconnection hotspot in the most recent report from the electricity and water ombudsman of Victoria. Furthermore, it is estimated that 2000 people a year in Victoria die from the effects of chronic cold, which is a combination of inefficient homes but also that lack of access to affordable energy.

Mrs FYFFE — I am sorry, is that 2000 in Victoria?

Dr ABERLE — Two thousand in Victoria, yes.

Mrs FYFFE — From cold houses?

Dr ABERLE — Yes—well, from cold. So this cold toll, as we call it, is responsible for more than 12 times the number of deaths as Victoria's road toll and is largely due to the low energy efficiency of our housing stock. We welcome the Victorian government's commitment to deliver an energy efficiency and productivity strategy and associated funding in this year's budget for energy efficiency retrofitting of public housing stock, and in particular the homes of Victorians with complex health conditions to help reduce electricity bills and to improve health outcomes. The announcement last week of funding under the New Energy Jobs Fund for low-income solar initiative is also very welcome.

The growth of community power can make a significant contribution to the achievement of these and other government objectives ranging from energy hardship, health care and housing affordability because of the potential to extend access through renewables to disadvantaged and vulnerable groups.

More broadly, the assistance and intervention that we think is required to drive the expansion of the community power sector as a whole falls into three main categories. Firstly, we think there needs to be a specific community energy target. Obviously we have renewable energy targets for the state, which are fantastic. But either an additional target for community renewable energy or a component of the existing renewable energy target that can be directed towards community energy projects would be a very welcome move. This could be 5 to 10 per cent of Victoria's renewable energy coming from community-owned energy projects, which several other jurisdictions internationally have shown that much higher percentages can be reached if the settings are right.

Secondly, we think we need to support the development of business models that provide a predictable income stream for the community power projects. You probably heard quite a bit about these this morning. Obviously I will not go into too much detail now. Some kind of fit-for-purpose community energy auction or the establishment of a community feed-in tariff would be important moves.

Thirdly, we think that further support is needed. Not just financial support, but technical and legal support to help the coordination and start-up of community power hubs, because with the decentralised nature of the community power sector there is already a collaborative network of capable local groups who, with government support, could undertake and trial innovative projects and facilitate information-sharing networking across the sector.

So just in closing before I take any questions, I think this is a real opportunity for Victoria to start making some really important changes in how we see electricity. We know that renewable energy is growing. We need it to grow very rapidly as part of our response to climate change. Many people can benefit from this. As I said, low-income homes or those with health problems can certainly benefit from it. We have this gap at the moment between household-scale and large-scale renewable energy. Community energy projects can really fill that gap in the energy market, and that can be really important in helping to create a more secure grid, but it also has other benefits.

I feel that to some extent there is a cultural shift happening here. We have all grown up in this world of a very centralised power sector, where we had giant transmission lines running from the Latrobe Valley coal-powered stations to Melbourne. But that world is changing. We have an opportunity now to recognise how rapidly it is changing and the benefits of encouraging that change, so I think this inquiry is a fantastic opportunity to make recommendations around speeding up that transition. Thank you.

The CHAIR — Thank you very much. The Committee is aware of Darebin's Solar $aver program. What other examples are there of community energy projects that target low-income households?

Dr ABERLE — That is the main one I am aware of, and that has been quite a successful scheme. Certainly everything I have heard about it has been very positive. It has been trialling something that at the time was a new approach to financing, which has proven to be quite successful, I think. It was early this year that the State Government increased the range of the environmental user upgrade agreements so that this is now a model that can be trialled by more councils. The low-income solar scheme that was announced just last week is another opportunity, but I am not aware of any others.

Ms RYALL — We have heard from various speakers this morning who have given presentations. Stability and reliability of power is vital to everyone. When we look at the community engagement that is needed—the ownership, installation, running, efficiency of trading, tariffs, maintenance—all of this costs money. There are various projects and programs being run at this point in time. We have also, I think, established that there are some significant controls needed in place to ensure we do not overload if you have got local grids or sources and so forth.

One of my concerns is with people who are disadvantaged. If they do not have access to a community project location-wise, and financially they cannot afford to buy in—and you obviously need funds to get these things started—how do we ensure that people are not disadvantaged? I will give the example of solar energy. People who could afford solar could put it in and in the early stages were getting significant feed-in amounts back. However, those people who could not afford it were actually disadvantaged financially. How do we stop that happening if we are to encourage a whole scope of community projects to happen?

Dr ABERLE — I think that is a really great snapshot of all the issues that we are facing, and that is precisely why we need community energy projects. There are things like the Darebin Solar $aver program that are designed to help people who cannot afford the up-front finance. A lot of what community energy projects will be trying to achieve is explicitly helping those people who cannot afford the up-front finance themselves and for those people to have access. Their involvement in a community energy program can simultaneously give them cheaper electricity and something of a steady revenue stream from that as well.

Ms RYALL — For those who can buy into it. But given that they are not isolated socialist communities, others may not necessarily want to be putting in to fund those who may spend their money on other things or not have that as a priority to get on board but may be from a lower socioeconomic demographic. It is the complexity of that. I do not think there is an easy solution but you might have one.

Dr ABERLE — Sorry, I do not have an answer. I did not come prepared with an answer, but thinking about it off the top of my head, maybe that is around specific access to low-interest loans or zero-interest loans for those low-income groups to participate in those projects. Maybe a differential feed-in tariff. I know the Essential Services Commission is reviewing feed-in tariffs at the moment, so there is a possibility there could be a separate feed-in tariff for people in low-income groups.

Ms RYALL — I guess my point is nothing is clear at this point in time.

Dr ABERLE — This is why this Committee has such a great opportunity.

Mr CRISP — You mention the importance of energy efficiency in your submission. How can that be incorporated into energy programs for the community?

Dr ABERLE — In many ways they go hand in hand. Renewable energy is the very sexy cousin to energy efficiency, which is a bit less glamorous in many ways. But from the perspective of reducing our emissions, from a perspective of increasing people's comfort in their homes, from the perspective of helping people save money, energy efficiency is just as important as renewable energy. Rightly, we have a very big focus on renewable energy, and the State Government will be releasing its energy efficiency and productivity strategy sometime soon. What would be great to see would be greater incorporation of the two things so we are not just creating schemes to help people put solar panels on their roofs or solar panels on a warehouse that they then have a share in. If at the same time we can reduce the amount of electricity that people need through energy efficiency, then there is a sort of fantastic synergy between the two.

That is an important part of responding to extreme weather events as well. For example, we know that heatwaves are when Victoria has its highest peak of electricity demand. We know that on those extremely hot, sunny afternoons that is when those solar panels are cranking, which is great. But if we can help people live in much more efficient homes, then you can turn the air conditioner down a couple of notches and still be comfortable. So I do not think we need to see energy efficiency or renewable energy as two separate issues. I think we can combine them and recognise that each of these is simultaneously helping people to be more comfortable, helping people save money and reducing our emissions.

Mr CRISP — Where are we up to with energy efficiency in homes at present? What is happening?

Dr ABERLE — There is some stuff happening. We would like to see a lot more happening. We know that a lot of pilot schemes have been run. We are at the stage now where we need to start sending large rollouts of energy efficiency programs. It has largely been a function of funding. Again, like with renewable energy, where does that up-front money come from? The work that we have done where we have been involved with the One Million Homes Alliance involves some environment and energy groups, involves consumer and utility groups and involves the social sector like VCOSS and Kildonan and Brotherhood of St Laurence. Sorry, I have lost my train of thought. I cannot remember where I was going there. I started rolling off members of the alliance.

Mr CRISP — What programs are they running in the homes?

Dr ABERLE — Yes, that is right. We have seen a lot of pilot schemes rolled out, and I think we are at the stage where we need to see some larger programs delivered. Part of the problem has been that up-front funding. What we have shown in the work that we have done with the build One Million Homes Alliance is that the government can save a lot of money from its concessions bill. As I said in the introduction, the government currently spends about $170 million a year on its concessions budget to help low-income homes pay their electricity bills. The focus of the One Million Homes Alliance has been on improving energy efficiency of the lowest income 1 million homes in Victoria, and our calculations have shown that improving energy efficiency of those homes could save the State Government $2.5 billion over the next 20 years in effectively avoided concession payments.

So if you help those low-income homes use less electricity essentially, then the government is actually ultimately saving money by not having to support them through energy concessions. Again that is where a combination of renewable energy and energy efficiency works very well, because you can retrofit a home to make it more efficient. If you are still buying electricity from the grid, you are still paying for that. If you can make it more efficient and you are generating your own electricity, either on your own rooftop or as part of a community energy system, then that is even better.

Mrs FYFFE — The partial community ownership—after the submissions this morning I have been thinking about how that is going to work. So do you know of any, and how successful are they?

Dr ABERLE — Schemes where it is partly community owned and partly owned by…

Mrs FYFFE — Yes, suppliers or…

Dr ABERLE — Yes. I am afraid I do not have any details on that. You probably heard some good speakers this morning who have more detail. I cannot really add too much to it.

Mrs FYFFE — No, it just sort of came up. It was mentioned, but that is okay, we can investigate and follow that through.

Dr ABERLE — The only thing that I would add is that there will be different models of ownership and we should be looking at different options. If partial ownership is one way forward, I think it could be okay, but it will be horses for courses I think, and the more we can get communities involved—if that requires some part of other parties being involved…

Mrs FYFFE — Okay. Thank you.

Mr MELHEM — Should the state government consider having targets for community projects, and what are the pros and cons of establishing a community-owned renewable energy target?

Dr ABERLE — We definitely support a target for community-owned renewable energy. I think targets are a very good way to drive governments to achieve them. That is why we have renewable energy targets. It is why we have emissions reduction targets. It is why we have road toll targets. If we know we are aiming for something, then we are more inclined to do things to try to meet them. This is something that is

happening in other jurisdictions—for example, I think in Scotland they have got a target of 500 megawatts of community-owned renewable energy by 2020. I think they are 75 per cent of the way there at the moment, which is fantastic. Scotland is a really interesting comparison with Victoria. It has almost exactly the same population and it has almost exactly the same electricity demand.

Mr MELHEM — It is much smaller.

Dr ABERLE — It is smaller in geographic size, yes, but in other senses is very similar—a very similar GDP or state product. So I think what that shows is if that is the kind of scale that Scotland can achieve—I am afraid I have not crunched the numbers to figure out what that equivalent target in Victoria would look like—the fact that Scotland is 75 per cent of the way there already shows that by having a target you can achieve them.

Mrs FYFFE — But it is quite heavily subsidised, is it not, in Scotland?

Dr ABERLE — They have some subsidies, but I do not know that all of those are still in place. I think some of that was through feed-in tariffs as well, which we still have in Victoria. There are a number of ways of doing it. Coming back to your point about the equity and spreading the benefits and ensuring that low-income or disadvantaged communities can be involved, I think that is just a matter of working through the details and figuring out what level of support can be delivered and what level of support helps those most in need and reduces the impact of, for example, extreme weather events.

The CHAIR — Dr Aberle, is there anything you would like to add or want to tell us or have missed or anything like that?

Dr ABERLE — No.

Mr CRISP — Environmental upgrade agreements, would you like to put some flesh around that and explain how that works with community energy projects? You have got a smile from behind you.

Dr ABERLE — I think he might have had some of that.

Mr CRISP — If it is outside your realm, I am happy for you to just take that on notice, because Anne might have been able to better answer that.

Dr ABERLE — Yes, I think so.

Mr CRISP — That is fine.

Mr NARDELLA — How much money are you actually looking at to retrofit and do all that type of work?

Dr ABERLE — Again, I am sorry. That is something that Anne would have had the answer to. I have probably got it in a pile of paper here. I can flip through it or I can take that on notice if you like.

Ms RYALL — I guess that ties into what you mentioned before. It is a bit of chicken and egg. You were saying, 'Retrofit the house and then it becomes cheaper, and then engage them in a community project'. My understanding is if you engage people in a community project, then it makes them more sensitive to what efficiencies they need to build into their house. So it seems to be a chicken and egg situation. If you can make people more aware through a community project of how they can then save further, it seems more likely that would tend to be the driver than just giving them subsidies for things, which actually does not help them change behaviours.

Dr ABERLE — I do not really see it as a chicken and egg thing. I think they are both fantastic things that we should be doing. I do not know that one necessarily needs to come before the other.

Ms RYALL — You would want to encourage the behaviour change driver to come from them as opposed to subsidising them so they do not change behaviours—if that makes sense.

Dr ABERLE — Yes. I think the energy efficiency is not just about consumer behaviour though. That is not just about turning the lights off or running your dishwasher on the eco cycle.

Ms RYALL — Or putting insulation in your roof.

Dr ABERLE — Yes, that is right. It is more about retrofitting the building fabric of the house itself.

Ms RYALL — I am thinking all of those things.

Dr ABERLE — Yes, absolutely.

Ms RYALL — What is going to make me want to put insulation in my roof? If I do not, you giving me a subsidy to help me pay for it or me becoming part of a project that makes me more aware of energy and how I use it and therefore me thinking, 'Okay, I'll then do it', because obviously money is finite and that is an issue.

Dr ABERLE — Yes, that is right. I think that is a lot of what Moreland Energy Foundation has been doing, incorporating both those parts of it so it is not just about consumer behaviour, it is not just about retrofits. Obviously they can speak more about that. I think they were here this morning.

Mr CRISP — We have heard some evidence today around some of the issues of the benefits sharing schemes. In particular you mention in your submission that very sophisticated benefits sharing schemes should be encouraged for community energy projects. I am just wondering how they work and can you provide some examples.

Dr ABERLE — Sorry, on which type of scheme?

Mr CRISP — On the benefits sharing, which is how you get the surplus energy from one place to another. It also ties in with the reverse auction process as well. I am happy for you to take it on notice if it is another one better answered by Anne.

Dr ABERLE — I think it might be. Thanks very much. My apologies.

The CHAIR — On behalf of the Committee, Dr Aberle, I would like to thank you for giving your evidence and your contribution.

Witness withdrew.