

TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Budget Estimates 2019–20 (Solar Homes)

Melbourne—Tuesday, 11 June 2019

MEMBERS

Mr Philip Dalidakis—Chair

Mr Richard Riordan—Deputy Chair

Mr Sam Hibbins

Mr Gary Maas

Mr Danny O'Brien

Ms Pauline Richards

Mr Tim Richardson

Ms Ingrid Stitt

Ms Bridget Vallenge

WITNESSES

Ms Lily D'Ambrosio, Minister for Solar Homes,

Mr John Bradley, Secretary,

Ms Anthea Harris, Deputy Secretary, and

Mr Xavier Hinckson, Executive Director, Finance, Department of Environment, Land, Water and Planning;
and

Mr Jonathan Leake, Chief Operating Officer, Solar Victoria.

The CHAIR: I declare open this hearing of the Public Accounts and Estimates Committee.

On behalf of the Parliament, the committee is conducting this inquiry, in case you have not realised, into the 2019–20 Budget Estimates. Its aim is to scrutinise public administration and finance to improve outcomes for the Victorian community. The committee will now begin consideration of the portfolio of solar homes.

I welcome the Minister for Solar Homes, the Honourable Lily D'Ambrosio, and officers from the department. I thank you for appearing before the committee today.

All evidence given is protected by the Parliamentary Committees Act. This means that it attracts parliamentary privilege and is protected from judicial review. Witnesses found to be giving false or misleading evidence may be in contempt of Parliament and subject to penalty.

Minister, I invite you to make a very brief opening statement and/or presentation of no more than 5 minutes. This will be followed by questions from the committee.

Visual presentation.

Ms D'AMBROSIO: Thanks very much, Chair. I will aim to be as quick as possible. The solar homes portfolio is very much underpinned by a \$1.36 billion investment starting from last year, but certainly this financial year's budget delivers on the election commitment to keep this program very successful, rolling for a 10-year period. The program will install solar panels, solar hot water systems and batteries on 770 000 homes across the state, and it will bring the number of homes in Victoria with solar panels to 1 million at the end of the program. It will also save Victorians about half a billion dollars a year on their electricity bills once the program is complete. It has already created 900 jobs during the life of the scheme. That will go up to 5400 jobs. It will significantly cut our carbon emissions by almost 4 million tonnes. That is the equivalent of taking about 1 million cars off the road, and Victoria has about 4.6 million cars on the road.

It will provide a long-term pipeline of installations, so it will grow and support the solar industry. Certainly we are absolutely excited to be going into this next phase. The success of the program, from August last year when it was first announced, exceeded all of our expectations—fully subscribed. We extended the number of rebates available because of demand. I am very pleased to say that we have many, many happy Victorian families out there, many of them who are doing it tough, taking full advantage of this program.

Now we established solar homes as a separate portfolio, and we have Solar Victoria of course that is charged with delivering the rebates to eligible households. We are working with industry, regulators and training organisations. It is a 10-year program; it is not a program that is 10 minutes long. Our aim is to focus very clearly on quality, on safety and on having a program that is robust and meets its targets. Now, as I said, we have created already through Solar Victoria 25 direct jobs at the call centre in Morwell. That will grow as the number of rebates that roll out grow. Importantly Solar Victoria will be one of those agencies that will move into the new GovHub building that the government is creating in Morwell. So this is terrific, and we will see more jobs grow in Morwell at the call centre as part of Solar Victoria.

So in terms of the investment program, funds include money for 700 000 solar panels—and that includes 50 000 rental; batteries for 10 000 homes; solar hot water systems, 60 000 of those; and the remaining funds

will go towards grid work, auditing, training and delivery costs. Importantly, as I rush through this, we are absolutely confident in the way that we have targeted this program. We are seeing a lot of Victorians at the lower end of income taking advantage of this, and we have got a really good spread across regional Victoria and metro Victoria. I think about 43 per cent of the rebates are from regional Victoria and the remaining are from metro Melbourne, which is a great success story. I think my time might be up, so I might leave it at that

The CHAIR: Well, Minister, I am happy for you to keep going for 2 more minutes, if you like.

Ms D'AMBROSIO: Oh, 2 more minutes, is it? Excellent, okay. Sorry about that, I lost track of the time. In terms of the success of the program thus far, we actually broke records. In January and February this year, for the first time, Victoria outstripped the other states in terms of the number of solar installations. That is the first time ever. If you compare what the difference this program has made to business as usual, we have almost doubled the number of installations based on business as usual. That just shows you how successful and well targeted this program is in getting to those Victorians who otherwise would not have had the opportunity or the funding to be able to get solar panels that save dollars from a solar panel generator on the roof. So it is very, very successful.

The program will be bigger and better; from 19–20 there will be 42 000 rebates that will be available. There will be a new system in place to streamline the process of applying for and confirming eligibility for rebates. As I said, it will be bigger and better from 1 July. We are entering also into a no-interest loans period, the commencement of availability of battery rebates and of course seeing renters and landlords also being able to enter the scheme.

Ms RICHARDS: Thank you, Minister, and thank you again to the officials for appearing before us this afternoon. Minister, you are probably not surprised to know that I was going to lead off on questions about the Solar Homes program. I would like to start by referring you to budget paper 3, once again on page 39, the 'Solar Homes program and solar panels for renters' output. So in this first year of funding, what will you be delivering through the Solar Homes program?

Ms D'AMBROSIO: Well, what is important here of course is—rolling out such a massive program, the biggest single investment of any state government in solar PV in the country over a 10-year period—making sure that we have done a really strong solar pipeline of rebates and installations available for consumers and the industry to be able to adjust accordingly, and that is really important here. So what we will be seeing of course is we have gone from the original 24 000 rebates and then increased that to 32 000 rebates; and from this coming financial year that will go up to 42 000 rebates—of solar PV of course. Solar hot water systems will continue to be available, and we will be making available 1000 rebates, I think, of the battery systems.

Now what will be important here is that the number of rebates, or the release of the rebates, will be managed in a monthly way, so that industry has an ability to adjust. Now that the scheme is post-election and we actually have a 10-year program, we can better manage the flow and availability of rebates, of course giving industry the opportunity to be able to adjust accordingly and to meet those needs.

So we are looking for opportunities of course in this to ensure that safety, quality are absolutely at the forefront. We are not going to rush this. We are getting it right and we will continue to extract maximum safety from the way that this program is managed, and that includes of course that we have funds available from this budget to undertake audits of installations. Now I want to be very clear that the audits will be risk-based. So if Solar Victoria finds that there are a number of complaints from a particular part of the industry, for example, the risk-based approach will make sure that audits go to that very question. Solar Victoria and government have been very clear that if we find any untoward behaviour, if you like, in terms of shortcuts taken on safety, or indeed quality, then we exercise the right to exclude any players from the actual Solar Homes program. So again it is about making sure that there is confidence in consumers' safety and quality at the forefront of this and making sure that we roll it out in 10 years and not 10 minutes.

Ms RICHARDS: Of course the question on lots of people's lips is: how much can people expect to save on their energy bills once they have installed solar panels?

Ms D'AMBROSIO: A typical family in terms of typical consumption of electricity a year from a 4-kilowatt solar PV system can save around about \$890 a year—that is every year.

The way we have designed the program, especially now with the no-interest loan available, families for the first time will be able to have a solar panel on their roof at no up-front cost, so they are starting to save from day one on their energy bills. This is really critical. It will be a big game changer. But these are significant savings, and these are dollars that are better off in the pockets of consumers than they are with big energy companies making a lot of dollars off Victorians.

Ms RICHARDS: I know you have seen the interest and you have met some people, in particular in my area, that are interested.

Ms D'AMBROSIO: Absolutely.

Ms RICHARDS: I understand the program has been running since August 2018. How many people applied for the program in this period, and how many of them were from my electorate of Cranbourne?

Ms D'AMBROSIO: We have had a phenomenal number of people who have applied since August. I will get the figure of actually how many have applied, but we will need to remember that the number of people who have applied will not necessarily match the number of rebates of course because there are a number of people who applied that were not eligible once you go through the paperwork. But effectively we are well ahead of schedule in terms of the rebates paid out. Like I said, we went from 24 000 extending up to 32 000.

I have got the figure now. Because the program is so popular, we received more than 32 000 applications by April this year. From August to April this year 32 000 were received, and again that has certainly outstripped all of our expectations.

Ms RICHARDS: I am going to cede the rest of my time to Ms Stitt now.

Ms STITT: Just further on the solar homes and in particular job creation around the investment and safety and quality and training. In terms of budget paper 3, page 39, 'Solar Homes program and solar panels for renters', how many jobs do you think will be created through the Solar Homes program?

Ms D'AMBROSIO: This is at the heart of everything we do as a government: investment—the actions we take that are about investment and jobs creation. I am really pleased that the same applies to the Solar Homes program.

I can say to you that in terms of the jobs created thus far at the Solar Victoria office in Morwell, there are 25 jobs that have already been created. We expect as the program rolls out and ramps up in terms of the number of rebates available that that job number may double. It could go close to 50. Also, importantly, the number of jobs that have been created across the sector right now just on the back of the 32 000 rebates that have been released—there have been 900 jobs created. We anticipate during the life of the program in full flight over 5000 jobs I think—5400 jobs—will be created.

This is really a phenomenal number of jobs when we think about the opportunities that we have. It is not just about installation jobs, although they are really, really important. But by working with the network providers and the industry consumer groups and making sure that we look always towards that next leap in quality and standards of the products that are able to be rebated—by driving that we will provide opportunities potentially for us to grow the sector in different ways, in new ways. So, for example, we have required solar PV systems to all have mandated smart inverter technologies from 1 July, and we know that there are inverter producers in Victoria that could benefit from that. So as we move towards more specifications that push the quality aspect of it, we start to lift the standard of the whole sector, whether they are part of the rebate scheme or not, and that then helps us to drive and think more strategically about those niche job creation and skills opportunities that we can develop over the 10-year program. Having a 10-year program allows us to create that pipeline of opportunities to maximise the benefits of skills development and jobs creation here for Victoria.

Ms STITT: Obviously Victorians must have confidence in the high standards of the scheme and the installation and the labour that is being generated through the investment. Can you just tell us a little bit about what you are doing to ensure that the systems installed are safe and of a very high quality?

Ms D'AMBROSIO: That goes to a number of things that we are doing. One is that we established some time ago a cross-agency enforcement group that includes Consumer Affairs Victoria, Energy Safe Victoria, the Victorian Building Authority, WorkSafe, the Clean Energy Council—I think that might do it—and Consumer Affairs Victoria. That is making sure with all of these regulators that intersect with the rollout of this scheme—whether it is about working at heights, so WorkSafe; electrical safety, so Energy Safe Victoria; or the consumer affairs end of it with the retail code of conduct—that all of our agencies work together ongoing to ensure that we mitigate any risks of any gaps, which is really, really critical here.

What is critical also of course is that we are delivering a range of training courses in TAFEs and private training providers through a skills program working at heights training—so involving other parts of government to deliver on that really important program. Part of the funding of course goes towards that very critical issue of the training package in collaboration with the Victorian skills commissioner, so that will go towards assisting installers, apprentices and labourers to receive funded working at heights training. Occupational health and safety regulations are really critical here too of course, and as the sector develops and the specifications for improved quality increase, so will the requirements of our scheme for the products that are listed for approval for rebates from Solar Homes.

Mr RIORDAN: Minister, budget paper 3, page 39, as well as the 2018 pre-election budget update, allocated \$74 million to establish the Solar Homes program. The first part of the program was for 24 000 rebates of up to \$2225, the \$1000 towards 6000 solar hot-water heaters. Even if we assume that every single application of the 24 000 was for a 4-kilowatt system that received the full rebate, this only brings the total to \$59 million. Can you confirm to the committee what you have set the remaining \$15 million aside for? Is it just for the bureaucracy of Solar Victoria?

Ms D'AMBROSIO: No. As you are aware, the announcement that was made last August was to allow for a certain number of rebates across solar PV systems but also solar hot-water systems. I can assure you that the funding breakdown of the \$1.36 billion program goes towards, as I said, solar PV rebates for renters, solar hot-water rebates for batteries, \$10 million for grid of the future. Grid of the future is working with the network businesses, the Australian Energy—

Mr RIORDAN: So none of the \$74 million in the budget is for bureaucracy; it is all for solar panels and solar installations?

Ms D'AMBROSIO: As I have said to you, if you are talking about the 2018–19 figures—I think you are talking about the 24 000 rebates?

Mr RIORDAN: No, the current budget.

Ms D'AMBROSIO: Sorry—the 2018–19 period?

Mr RIORDAN: Yes.

Ms D'AMBROSIO: Yes, so as I said, in terms of the solar PV rebates, \$69.793 million is going towards that. There was \$6 million towards solar hot-water rebates and \$1.615 million towards the audit program.

Mr RIORDAN: Okay. So for audit, was it?

Ms D'AMBROSIO: Yes, audits. So our 5 per cent audits—

Mr RIORDAN: So of the \$74 million, how much was remaining when the surprise cap was brought in?

Ms D'AMBROSIO: How much was—sorry—remaining?

Mr RIORDAN: How much of the \$74 million was still to be allocated when the surprise cap came in?

Ms D'AMBROSIO: Well, there was no surprise cap, can I say, because these are always finite numbers of rebates. In terms of that—John, can I perhaps ask you to consider that?

Mr HINCKSON: If I can answer that question—

Mr RIORDAN: So the cap in April, how much of the \$74 million had been expended at that point?

Mr HINCKSON: The precise amount that was expended at the time of the cap—I will just find my notes and answer. There is a difference obviously between the amount that has actually been paid out as at the start of April—

Mr RIORDAN: Sorry, how much?

Mr HINCKSON: Sorry, just give me one moment. So as at the start of April \$69 million in total was the amount allocated to actually—

Mr RIORDAN: But not paid out?

Mr HINCKSON: Yes, but not paid out yet. Nineteen million dollars I think is the figure remaining. We had 31 000 installations and—

Mr RIORDAN: So there were 31 000 installations by April?

Mr HINCKSON: And that included the PV occupiers. Once I include the applications received though, that takes the total to 35 000. In terms of the actual amount that was paid out at that point in time, we would need to take that information from Sustainability Victoria.

Mr RIORDAN: Okay, we will take that on notice. So you will get back to us with how much was paid out by April. Can you guarantee that that mechanism will not be used again in the next financial year without notice?

Ms D'AMBROSIO: Yes, absolutely.

Mr RIORDAN: Suspension.

Ms D'AMBROSIO: Well, it was no suspension. As I said to you, we had reached the number of rebates that were released. Certainly I will have more to say about the design of the system, if you like, of rebates being released from 1 July. I did indicate earlier that we were looking at a more steady stream of rebate releases that are more orderly now that we are returned to government and we have got a 10-year program ahead of us.

Mr RIORDAN: So, Minister, has your department kept track of how many jobs were put on ice with the suspension in April?

Ms D'AMBROSIO: Well, I can say to you there was plenty of pipeline of installations that were available and that Solar Victoria have been working with industry.

Mr RIORDAN: So you do not have a list of how many jobs were affected?

Ms D'AMBROSIO: What I say to you is there was plenty of pipeline of work that was available, and I am very—

Mr RIORDAN: So you have had no correspondence or complaints from PV installers about the—

Ms D'AMBROSIO: Certainly there were some complaints from some installers, but I will say to you that there were at least 7500 installations that are still to be installed, and this represents three months of installations, so between April and the end of June there was plenty of work still available for the industry to be able to mitigate the reach of the rebates that we achieved earlier than expected.

Mr RIORDAN: Minister, we mentioned in earlier presentations today your keenness for safety with people doing these things. Can you tell me, on the installation guidelines—so the money that you are rolling out in

funding—have you made any provision for the safe maintenance of solar panels, the hundreds of thousands of solar panels being put on across roofs? So we know, for example, every year that if a solar panel is not washed and maintained it becomes less and less efficient, so over 20 years it is going to need quite a bit of maintenance, and many elderly, disabled people not able to mobilise, we are expecting them to get on the roof and clean solar panels. Have you made provision for the access to peoples' roofs in this rollout?

Ms D'AMBROSIO: I am sorry, access to people's roofs? What, a ladder?

Mr RIORDAN: Yes, a safe access. You cannot go on a public building without hooks and ladder-securing devices. Have you made all that available in the rollout?

Ms D'AMBROSIO: Well, the rollout does not include payment for ladders to roofs, but what I would say to you—

Mr RIORDAN: No, but safety access points.

Ms D'AMBROSIO: There are millions of solar panels that have been—

Mr RIORDAN: At this rate we have got tens of thousands of people that will be expected to be on their roofs maintaining these things.

Ms D'AMBROSIO: Well, we do not expect people to just get up on their own roofs. I think you should give people more credit than what you do give them. We have a dedicated solar task force that is about ensuring that sufficient information—

Mr RIORDAN: So, Minister, the ongoing regular—

Ms D'AMBROSIO: You do not want to hear the answer.

Mr RIORDAN: maintenance of solar panels has not been allowed for in this rollout.

Ms D'AMBROSIO: What do you mean 'allowed for'? We have the most stringent consumer protections in the country in Victoria in terms of—

Mr RIORDAN: So a 65-year-old couple with a solar panel on their roof, on a steep-pitched roof—

The CHAIR: Oh no. How do they get their car serviced, Deputy Chair?

Mr RIORDAN: They take it to—so is this an ongoing cost that people will need to pay for themselves or have you provided, while you have got professionals on the roof installing hooks and anchors like we do on public buildings, will they be being installed in private homes to make it safe to access these millions and millions and millions of taxpayers money rolled out?

Ms D'AMBROSIO: Yes, and I know Victorians are flocking to this, and as I said, Victoria has amongst the most stringent occupational health and safety regulations. WorkSafe is out there doing its audits and—

The CHAIR: Minister, as delightful as it would be to allow you to attempt to answer this question, Mr Hibbins does have the call until 2.34 p.m.

Mr HIBBINS: Thank you, Minister and team. I would like to ask about the provision of solar panels for renters and I guess the barriers that have faced similar schemes in the past in terms of renters not wanting to approach their landlords, landlords not wanting to invest in their properties, and I think this particular scheme has the renter making a contribution to the solar panels. Can I ask how the government is actually overcoming barriers and encouraging uptake by renters for this scheme? And can I also just get some clarification: have any been installed on any rental properties at this point, and how many are you forecasting to be installed over the next financial year?

Ms D'AMBROSIO: Sure. Thank you. In terms of the last question as to whether any have been installed on rental properties thus far, if there have been any, it is certainly not through this program, because the program for renters and landlords is not open until 1 July—

Mr HIBBINS: Thanks for that clarification.

Ms D'AMBROSIO: But we are absolutely well aware of the difficulty of uptake because of the split incentive that exists, especially in the private rental market. So we have designed this part of the program to, as much as we can, encourage agreement between a landlord and the tenant to go with a solar PV installation. Part of that was to also make some type of benefit available to the landlord. So the scheme will operate in a way similar to an owner-occupier—a 50 per cent rebate is available in the first year and the remainder is split in terms of cost between the tenant and a landlord. Now, that is by agreement of course. It will be interesting to see. We believe, certainly from information we have received thus far, that landlords are more likely to be responsive to this type of incentive design than what ordinarily would be the case. But certainly we are doing something that is very much a first in the country to try to get through that split incentive barrier, and we will certainly be keeping a watchful eye on it.

Mr HIBBINS: So you have a target for the next financial year in terms of the uptake on rental properties?

Ms D'AMBROSIO: We do have some, but I will be making comments on that before 1 July in terms of how many rebates will be available to private tenants.

Mr HIBBINS: Does that mean that you have the information now and you are not sharing it?

Ms D'AMBROSIO: I do, but I really want to release it out of PAEC, if that is okay.

Mr HIBBINS: Well, this is PAEC. I mean, come on.

Ms D'AMBROSIO: Well, governments do have the ability to make announcements.

The CHAIR: Apologies, Mr Hibbins, it is the end of the appearance of the minister before the committee today. The committee will follow-up on any questions taken on notice in writing, and responses will be required within 10 working days of the committee's request.

Witnesses withdrew.