T R A N S C R I P T

LEGISLATIVE COUNCIL ENVIRONMENT AND PLANNING COMMITTEE

Inquiry into Renewable Energy in Victoria

Melbourne—Thursday, 17 March 2022

MEMBERS

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Mr Clifford Hayes—Deputy Chair
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WITNESSES *(via videoconference)*

Professor Bruce Mountain, Director, Victoria Energy Policy Centre; and

Mr Tony Goodfellow, Victoria/Tasmania Coordinator, RE-Alliance.

The CHAIR: I declare open the Legislative Council Environment and Planning Committee's public hearing for the Inquiry into Renewable Energy in Victoria. Please ensure that mobile phones have been switched to silent and that background noise is minimised.

I would like to begin this hearing by respectfully acknowledging the Aboriginal peoples, the traditional custodians of the various lands we are gathered on today, and pay my respects to their ancestors, elders and families. I particularly welcome any elders or community members who are here today to impart their knowledge of this issue to the committee or who are watching the broadcast of these proceedings. I would also like to welcome any members of the public who may be watching these proceedings via the live broadcast.

I take the opportunity now to introduce our committee members to you. My name is Sonja Terpstra; I am the Chair of the Environment of the Planning Committee. Also attending via Zoom today we have Mr Clifford Hayes, who is the Deputy Chair. We have Ms Nina Taylor, Dr Matthew Bach, Dr Samantha Ratnam and Mr Stuart Grimley. We have other members who might be joining us a bit later on, but we will see—Bev McArthur is joining us right at this second.

All evidence that is taken today is protected by parliamentary privilege as provided by the *Constitution Act 1975* and further subject to the provisions of the Legislative Council standing orders. Therefore the information you provide during the hearing is protected by law. You are protected against any action for what you say during this hearing, but if you go elsewhere and repeat the same things, those comments may not be protected by this privilege. Any deliberately false evidence or misleading of the committee may be considered a contempt of Parliament.

All evidence is being recorded, and you will be provided with a proof version of the transcript following the hearing. Transcripts will ultimately be made public and posted on the committee's website.

If I could get each of you now, just for the Hansard record, to please state your name and the organisation you are appearing on behalf of. Perhaps, Bruce, we might start with you.

Prof. MOUNTAIN: Good afternoon. My name is Dr Bruce Mountain. I am the head of the Victoria Energy Policy Centre—not actually institute as it is noted in the introduction.

The CHAIR: Okay. No worries. Thank you.

Mr GOODFELLOW: G'day. My name is Tony Goodfellow, and I am the Coordinator for RE-Alliance Victoria and Tasmania.

The CHAIR: Great. Thanks so much for that. All right. Well, with that, we will hand over to you now to make your opening remarks. After you make your opening remarks—10, 15 minutes perhaps. I know there are two of you so you may want to take a little bit more time to tell us what you need to tell us, but we need to have plenty of time to allow for questions from committee members as well. I will hand over to you. I am not sure who wants to go first, but over to you.

Mr GOODFELLOW: Happy for you to go first, Bruce.

Prof. MOUNTAIN: Okay. Well, thank you very much, Chair, for inviting me to speak to you. It was put to me that I should make an opening statement. I was happy not to, but I have put together some comments on Victoria's energy policy in the context of the objectives of the study that you are actually looking at.

I will say a few things. Firstly, the Victorian government has recently announced an offshore wind target—10 gigawatts by 2040, first production from wind by 2028. This is an enormous expansion on VRET 1 and 2. It will produce as a total annual amount of power about the same as existing coal generators do, and I think it will completely transform the Victorian energy market. It will translate into roughly 1700 towers, each with their

own hubs and blades, which between now and 2040 is 100 per year or eight per month, which if you put it that way translates to an enormous expansion of electricity production but also infrastructure in order to make the production and the value chains and so on. Offshore wind is at the moment, as best we know, more expensive at the point of production than the alternative clean energy sources, but I do not believe at the point of use it will be terribly much more expensive. And that is essentially because the utilisation factor is higher and it is going to be located in parts of the Victorian power system where electricity can be used on the existing power structures which are currently dominated by the coal generators which, as we know, will be leaving. So the additional transmission cost will be quite a good deal lower. I think offshore wind has the potential to become a very valuable export industry in Victoria. Victoria gets there earlier than the other states in Australia. They are bound to follow, and the Victorian businesses that are built to meet the huge Victorian demand I think will find export markets.

I will note that offshore wind is not currently countenanced or formally actually recorded in AEMO's ISP, and for that reason I have suggested that AEMO should actually delay the finalisation of their ISP to completely rerun the analysis, taking account of 10 gigawatts of offshore wind by 2040. I think it completely changes the expansion of the electricity system not just in Victoria but elsewhere in Australia.

Moving on, electrification to substitute for gas will be, I expect, a coming Victorian policy. It will be important for the economic benefits that it offers to households—cheaper energy. It will also be important for greenhouse gases. Households, for space conditioning and secondly for water heating, consume about half of all the gas that is used in Victoria. So converting those to heat pumps for space conditioning and for heating water will mean much lower energy consumption and saving. But there is a transition cost in changing the appliances and it will be quite a big program of activity, roughly 1.9 million homes. I do not expect there will be any potential market for hydrogen in use in the existing distribution network's pipelines as a substitute for electricity. I think there is no good argument for that in terms of the economics.

Moving on to changing our motor vehicles, mainly light motor vehicles, to run on batteries, current, the Victorian government has a policy that one in two by 2030 should be fully EV. I think that is a plausible target. It will bring us much closer to other comparably wealthy countries. I note in other large countries they have got a million EVs already in states that are not terribly much bigger than ours, or not terribly much bigger than our country where we have as a national total only got about 20 000. I think the grid expansion for charging infrastructure will not be an enormous undertaking, and I do not believe that the electrical demands on the grid will be so large as to be a problem. I think it will be possible to sequence the charging of the vehicles to ensure that the grid impacts are not huge. And in terms of energy consumption, I would point out the typical household consumes more energy heating water that they use in their showers than they would use to travel the typical distance that a car travels in this state. So the electrical consumption in fact is not huge.

Fourthly—the last in terms of the substance before I talk about institutions—Victorian governments have a policy to decentralise electricity supply, most notably in solar homes and businesses. I think that is an excellent policy. The cheapest electricity available is electricity produced at the point of use. The economics are very attractive because of the co-benefits of using infrastructure and so on. I think the policies in place are fine, but I suggest that more needs to be done to understand the potential of discounted network charges for locally consumed energy to enhance the prospect for the uptake of distributed solar. And I think, in addition, thought should be given to the regulatory arrangements for the transmission—not for the transmission but for the lower voltage distribution networks where I think there is a risk that they act in their own interests, which are not necessarily to make the most of decentralised supply.

Finally, I guess the main point I would make—and perhaps it is dearest to my heart—is about the institutional arrangements, which I have characterised as Victoria going its own way. Arguably it has been a leader in energy in terms of going its own way. Other states are not far behind; they have all announced substantial policies to develop their own clean energy infrastructure. They have all realised that the quasi-national arrangements are not serving them well, and the lack of agreement at the federal level has meant that states need to take it into their own hands. And I point out major policy and implementation issues that show this: first of all, in 2018 Solar Homes and the Solar Victoria institution that actually implements that; the Victorian default offer in retail markets; the Victorian government's recent decision to say no to a solar tax on exports; VicGrid—the formation of an institution to plan the distribution and transmission infrastructure; the Victorian government saying recently that it is not going to allow payments to coal generators to be available, to be actually part of a national scheme, which I think is also landmark; and finally, offshore wind. I think all of these

are positive decisions, but I would encourage the government to go further in developing the institutions to execute the regionalisation, which makes very good economic sense but to execute it more thoroughly and more deeply and perhaps more quickly. I think that will be a key to ensuring that the government's emissions are met at the least cost to the public and as soon as possible. Thank you.

The CHAIR: Thanks very much for that, Bruce. Tony, over to you.

Visual presentation.

Mr GOODFELLOW: Thank you. I am the Victorian and Tasmanian Coordinator for RE-Alliance, based in Ballarat, and I also volunteer as the vice-president of a local community energy charity here in Ballarat. Thanks for the opportunity to be able to present today. It is a really important issue, and I have watched with great interest over the last two days. It is really important to get it right, so it is great you are considering these important issues.

First, I would like to acknowledge the Wadawurrung people of the Kulin nation as the custodians of the land on which I am meeting you and pay respect to their elders past, present and emerging.

RE-Alliance is a community-based not-for-profit organisation working towards a renewable energy transformation that delivers long-term, meaningful benefits for regional Australians. We have members nationwide, including landholders, farmers, small business owners, climate campaigners, environmentalists and people living across regional Australia. We have got a long track record of delivering for regional communities, with eight years of working to build social licence. One successful measure that we pushed was neighbourhood benefit payments for wind farms, which are industry standard now.

The rollout of renewable energy zones brings big opportunities for communities, and any planning for a clean energy future needs to consider regional and rural communities so they are part of the energy transition. As was noted by Professor Andrew Blakers and others, AEMO's *Draft 2022 Integrated System Plan* has planned for the new transmission and infrastructure to move the NEM to 100 per cent renewable energy. There are some factors, like offshore wind, that have not been included, but it is largely a plan that is the best we have. It also in the past introduced things called renewable energy zones, which is on the slide there, and those renewable energy zones are found in regional areas.

The recent *Victoria's Offshore Wind Policy Direction Paper March 2022* estimates that there needs to be 15 times the installed renewable energy capacity to reach net zero by 2050, so renewable energy host communities are critical in the energy transition. So far the state government has shown leadership with energy road maps which are actionable steps to reduce emissions in line with time-bound climate targets. These have included the voice of regional communities and ways to ensure community support. Karin Stark and Alana West from RE-Alliance have been conducting workshops and tabletop conversations with regional communities in New South Wales to create a community plan for the planned REZ for the New South Wales government, so RE-Alliance have some experience in similar aspects of capturing the community voice and are really interested in getting it right.

Some of our work is some recent reports, such as *Building Trust for Transmission*. Our report outlines actions that governments, energy regulators and transmission companies need to take to ensure impacted communities can benefit from, not simply tolerate, renewable energy transmission lines. We can support regional communities and enable a fast transition to clean power at the same time. That was by Kate Healey. And Alana West recently wrote the report *Community Benefits Handbook*. The purpose of the handbook is to equip local community leaders with information and ideas to get started in thinking about how to leverage the renewable energy boom and how to direct that to their needs and desires.

Just moving on to our submission, on renewable energy zones it is our experience that residents living in REZs have little awareness of the concept, the rationale or the case for renewable infrastructure builds in the regions. There is an opportunity to communicate with local communities about the REZs, the nation-building nature of the energy transformation, the opportunities, the jobs, the benefits that local communities will have and the paramount need to act on climate. Investing in these communication and engagement projects will be essential to earning the trust of local communities and to continuing to develop the REZs. We suggest investing in communicating to the Victorian public about the need for the energy transformation, why renewable energy zones have been planned and what they will mean for people who live in them. In addition, we suggest the

Victorian government seek detailed community input into the rollout of each REZ and work with local government and with NGO and civil society groups facilitating local-led planning, building on the road map to zero emissions that was made in each REZ.

This local leadership and community engagement could be strengthened with local coordination taking the form of local bodies similar to the Latrobe Valley Authority in each REZ, employing local people to engage the community on upcoming stages in REZ development, coordinating project engagement programs, coordinating the establishment of local-led regional funds and supporting local leadership by participating in the development of local plans while listening to the expertise, needs and ambitions of the local community.

Currently the VRET projects are guided by this community engagement benefit-sharing guide. There could be a similar REZ-level guide for all projects, considering the public funds which are invested in making REZs possible—for example, VicGrid. So far it is just project by project, so we suggest a more systematic approach. This could build on the Aboriginal self-determination reform strategy 2020–25 and DELWP's Aboriginal energy program. Such frameworks must embody the principles of free, prior and informed consent.

So, transmission: transmission will play an important role in energy security, so it is important to get it right and learn from mistakes. Our report *Building Trust for Transmission* has some high-level recommendations, and they include earlier and deeper community engagement, fairer and more transparent compensation for landholders—and that is something that the New South Wales government is reviewing at the moment—neighbourhood benefit payments and community benefit sharing. These could be done through establishing new state legislative frameworks or changing the national frameworks. Our submission highlights the need to prioritise social licence and address skills shortages and the role of the state in the rollout of transmission—and that was based on our report.

Some other factors in our submission are co-ownership and co-investment. I have heard other speakers touch on this, but I will go into it in a bit more depth. Co-investment refers to models whereby citizens, in this case within a particular area, have pathways to share in the profits of the project. This could look like offering or gifting shareholdings to project neighbours. Co-ownership refers to models where citizens are invited not just to benefit financially but also to have decision-making power as co-owners of a project or part of a project. Overseas community ownership, community co-ownership and community co-investment are commonplace for wind farms, and these models enjoy a high level of community support. For example, in Denmark in 2001, 86 per cent of wind turbines in the country were cooperatively owned. In the Danish private sector there has been a long-established requirement of all new developments that a minimum of 20 per cent ownership is offered to the local community. The support for and engagement with renewable energy projects that incorporate co-ownership and/or co-investment opportunities show that the benefits of renewable energy go far beyond a cleaner environment and can be enjoyed by a wide cross-section of stakeholders when an emphasis is placed on inclusion of all stakeholders and community-led development.

The other one is jobs and economic benefits. Rural communities are set to be major beneficiaries of investments in renewables, with new jobs, lease payments for farmers, indirect jobs in manufacturing and additional community benefit programs. In light of the economic opportunities from direct and indirect jobs associated with renewable energy there is a corresponding need for training and qualifications. Federation University has started the Federation University Asia Pacific Renewable Energy Training Centre, showing the need for jobs and investment in regional areas. However, this is not enough. In order to deliver the energy transition on the scale that is required there needs to be a larger strategic investment in jobs and training to ready the workforce and also to prepare for the manufacturing. As Bruce Mountain outlined, with the scale of offshore wind it is immense. RE-Alliance recommends an investment in a comprehensive program of training courses to prepare our workforce for the energy transformation and that this program focuses on regional training centres and regional job creation. In addition, a program could include pathways for apprenticeships.

Lastly, it was great to see the recent Victorian announcement for offshore wind. As we point out in our submission, offshore wind is job rich. We have an interest in making sure community engagement, benefits and environmental impacts are navigated appropriately for offshore wind. I would just like to note that Star of the South is an example of great community engagement. Thank you.

The CHAIR: Great. Thanks very much for that, Tony. All right. We will hand over to questions from committee members. Dr Ratnam, question?

Dr RATNAM: Thank you, Chair. Thank you so much, Bruce and Tony, for presenting today and your written submissions as well. I just want to take up a couple of points that you raised. Firstly, Bruce, in your verbal submission previously you talked about some areas that could help accelerate our moves towards more renewable energy, and you talked about more discounted network charges, I believe, and regulatory changes for low-voltage distribution networks. Could you just explain a little bit more about what that means so that we are fully briefed about the technicalities of it and, particularly for this inquiry, things that we can think about recommending to government to really embark on in this next stage of the transition?

Prof. MOUNTAIN: Certainly. I am happy to talk about that. It is quite complex in the economics and the engineering, but the concepts are reasonably clear. When my rooftop solar exports the electricity, very likely it is being consumed by my neighbour, and if not by my neighbour, by my neighbour's neighbour. It is travelling 100 metres or so. It is not incurring any use of the upstream distribution networks, and yet my neighbour is paying the full distribution system charge for something that has only flowed 100 metres. This arises also in large customer applications where, if they are allowed to, they can throw a connection over the fence and avoid the network charge. Usually the network companies are forced to discount their charges in order to do that. Throwing an extra line over the fence is not possible for most households, but the economics are there too. So changing the local use of system, as it is called, charging arrangements, so that we reflect more accurately the costs that are incurred for local flows is likely to facilitate better development and more use of local electricity production.

A whole big reason we are seeing wholesale market price declines is because households principally have invested in the expansion of rooftop solar, and there is potential for households and enormous potential for C and I slightly upscale factories and warehouses to extend the same idea and be almost as local, but the network charge is to some degree a barrier in this. This is somewhat widely known, and there are proposals, most notably in Austria and Portugal and Spain, where these are being taken up. I think it would be good for the government to look to regulatory arrangements that change this. It is quite difficult, unfortunately, because the networks have an entitlement to a regulated revenue amount and what they do not get back from Peter they get back from Paul. So there needs to be some readjustment in the regulatory arrangement to ensure that Paul does not get slugged with a whole lot of forgone network charge that Peter is not paying anymore because there is now a much lower charge because of all the local use. So in widescale application it becomes a regulatory issue where government is well placed—or not well placed; it is only government that can actually resolve this.

I think this joins back to my point on institutional arrangements. Trying to get a solution at the quasi-national level with all our A's—Australian Energy Regulator, AEMC and so on—is practically impossible. But the Victorian government can arrange this for Victoria, so I think it would be important to do that. And it would extend the benefits of solar most notably to those most often lower income households who are in shared accommodation or high-rise accommodation or dense accommodation who cannot access solar either because they are renting or because the building form and structure makes it less possible for them to have solar.

Dr RATNAM: Thanks, Bruce. It is really insightful. So to understand this more fully, we have got this distribution network, which essentially privatised—so many aspects of our electricity distribution and generation are privatised. But you are saying that in terms of regulatory tools at the moment it is privatised but they are entitled to this revenue—the regulated revenue amount—and you are saying that there could be regulatory levers that the Victorian government can use to regulate even further to the point that you would bring those distribution charges down for the small distribution networks?

Prof. MOUNTAIN: Yes. I mean, what is really going on here is that the distribution networks have substantial excess transformer capacity, which is increasingly unused. The per capita volume of electricity and the absolute volume are going down all the time because houses are consuming less electricity—lighting and fridges and so on—and because of solar. And in any normal business there is an adjustment. There is less demand for product X, you get less income and you need to pivot, change your business and move somewhere else. We have got a regulatory regime that guarantees that they are insulated from these issues, and that needs to evolve. There needs to be an adjustment, and government has the ability to orchestrate that adjustment. I have got zero confidence it will be executed in a quasi-national way, because I do not think they have the wherewithal or the incentive or the ability to really focus on it. So I think it is something that the Victorian government can do. As I say, it comes back to my issue of the Victorian government taking back the oversight of many of these issues that arguably have not been adequately overseen through the quasi-national entities.

Dr RATNAM: Excellent. Thank you so much. Is there time for one more question, Sonja, or will you come back? One more? Thank you so much. I have one more question for Tony. I am really interested in your evidence around the co-ownership and the co-op model in international jurisdictions. Can you tell us a little bit more about this? Is there any movement in Australia around these models? Is it very early stages or—I am hoping you are not going to tell me it is advanced in some states, but obviously it is something we should think about for the future. I have not heard it talked a lot about in Victoria.

Mr GOODFELLOW: Yes. So there are not that many examples. There are only a couple of examples in Australia. The latest VRET 2 guide highlights co-ownership as well as an example of good community benefits, so that is really good to see in there. I think what it needs in Australia is just stronger direction from the government to have it, possibly mandating that.

Dr RATNAM: Mandating it, okay. All right.

Mr GOODFELLOW: Another example of good community benefits that I did not actually touch on is free electricity for people who live nearby projects, and Golden Plains wind farm has proposed that. It is a reason why that has been accepted by the community. So it is not exactly co-investment, but it is close to it, and it is something that is very tangible in terms of benefits as well. So both of those benefits I strongly encourage you to look at.

Dr RATNAM: Excellent. Very exciting. Thank you.

The CHAIR: All right. Thanks. Bruce, if I could just ask a question following on from Dr Ratnam's line of questioning and you touching on, sort of delving into the regulatory framework and what levers government could pull—and I could be wrong, but isn't the regulatory environment quite complex and convoluted? If government was to, say, do something around some of the regulations, how could that then be seen in terms of the federal overarching environment? My understanding is it is quite complex, but if I am incorrect about that, I would really like to be told otherwise. But it is a national market, right?

Prof. MOUNTAIN: Yes. So I think it is more complex than it needs to be. It has become a cottage industry, frankly—a self-serving club, if you like—which I think could be a good deal simpler. The public policy issues are fairly straightforward, and a whole lot of the complexity really need not exist. In 2006, as part of the creation of the Australian Energy Market Commission, there was an agreement from all the states to cede the regulation of the distribution networks to the Australian Energy Regulator, overseen by the AEMC. I do not think that was a good decision at all. Distribution networks are regional and local. They are not transmission, where some elements cross state boundaries. All of the distribution lines do not cross state boundaries; they are regional and local. I do not know of any other federal country that has delegated its distribution network regulation to a regional or a quasi-national entity in the same way that we have. So I do not think that the institutional and governance reasons for that were sound. It was all of the points—

The CHAIR: Do you have any insight into why that might have happened?

Prof. MOUNTAIN: Yes. It was all of a piece with the energy reforms that kicked off in the 1990s, which had this aspiration of a truly national energy market in which everything was going to be so-called truly national and we would have a national coordination of transmission and retailers that serve a national market. It just ignored the economics and so much of the reality of electricity supply, which is local and increasingly local, through distributed solar and now wind—exactly the issue they are talking about with social licence and so on. As the technology is changing, it is getting ever more local. I do not believe we have been well served by those quasi-national entities. It has been a lot of my life's work, those regulatory failures, and I think those have come about largely as a consequence of trying to pass the buck instead of being accountable. So I have argued it should never have gone to these quasi-national entities and it should come back, and it should come back even more urgently considering the Victorian government's objectives to decarbonise and the reality that our electricity supply is increasingly local.

Government at a regional level can start to resolve these things, can innovate and make these changes and can cut through a whole lot of the cottage industry regulatory complexity which has no good reason and is often trying to actually obfuscate or make complexity or really make work. This is entirely in the gift of the government. It can be done at the stroke of a pen. It does not need the assent of the other states; it is entirely up to the regional governments. Frankly, all of them are effectively doing it—as I mentioned, the several steps that

are happening in one way or tother. So I am kind of encouraging the government to move further in many of these things and just get on with it again. Give it back to the Essential Services Commission, which ran a much tighter ship and set much tougher controls. Government can then come into it from a policy perspective and say, 'We want to consider local electricity charges, a discounted new system'—which is a large policy issue, which is a Victorian government policy issue. It is key for high-voltage but it is also key for our low-voltage network transmission.

The CHAIR: Following on from what you are saying the Victorian government should do in terms of the regulatory framework and the levers that you say are available, what impact would that have on prices, then? Would that drive electricity prices down ultimately?

Prof. MOUNTAIN: Yes. These networks have been phenomenally profitable entities. They have essentially zero volume risk, zero business risk. They have been able to insulate themselves from ever lower volumes of solar power. They were privatised, and the companies that have owned them have made an absolute fortune. Again, it has been my life's work to actually draw a focus onto this. There have been some regulatory changes which have ameliorated that a bit. But there is a long way to go, and the reason it has not been dealt with effectively is there has not been that accountability. If it was brought back to the state government, very clearly the Premier needs to account for it, and I am sure he would be facing much stronger incentives and much stronger accountability to say, 'It's ultimately my decision, and I'm going to be accountable'. So I can see positive consumer-focused changes. I am not at all worried about lack of supply or keeping the lights on. You can keep the lights on for a good deal less payment than is paid now. So I really hope those changes will be taken up.

The CHAIR: Well, privatisation often has a long legacy, doesn't it? Thanks, Bruce. All right, we will go to some other questions. Mr Grimley, a question?

Mr GRIMLEY: Thanks, Chair. I have just got a question for Tony. In your submission, Tony, you spoke about transmission and how we need to learn from our mistakes. I am just wondering if you are able to expand on what mistakes you were referring to in relation to the transmission infrastructure that has been around previously.

Mr GOODFELLOW: The current western Vic transmission line and this other line in New South Wales are the first lines in quite a long time, and they are the first of quite a few more that will be rolled out. So the frameworks that have been used in terms of engagement and benefit-sharing are not up to scratch for that, and with the western Vic transmission line it kind of just came out of the sky to the local community. There was not much explanation as to why it is needed or communication as to what is happening and that kind of thing, and that is partly why I pointed to the need for organisations like the Latrobe Valley Authority in each REZ to be able to do that at quite a credible level. And there are other factors. I outlined fairer and more transparent compensation as well. Compensation is based on an older model. The community engagement—I do not think government or AusNet realised the level of community opposition and probably did not invest enough early on to actually engage properly, so they are probably playing catch-up at the moment. I think they are some of the mistakes. At a national level too the frameworks failed to consider environmental and social impacts. That is starting to change now. That is starting to evolve, and that is as a reaction to watching the western Vic transmission line. That is some of them.

Mr GRIMLEY: Wonderful. Thank you. Thanks, Tony. Thanks, Chair.

The CHAIR: Dr Bach.

Dr BACH: Thanks, Chair, and thank you both for being with us. I might ask a process question as well. I am concerned that as we continue to embrace more renewable power, which we must and I am sure we will, and as we seek to ultimately get to a point where we achieve net zero carbon emissions we do so in a way that brings business in particular along with us, where there is consistent policy. Certainly something that I hear when I engage with businesses is that it is really detrimental for them as they seek to reduce their emissions too—and I think in many respects business is leading here—to have policy on the run. Do you have any reflections about how as we move forward and how as we all seek to embrace more renewable energy that we do that in the most clear and consistent way that, I would have thought, therefore gives us the greatest chance of success?

Prof. MOUNTAIN: Should I start on that? Yes, I think that is a very good question. I think the transition in Australia and elsewhere is an enormous one. Technology is changing rapidly, and the coordination is often called for. My answer to that is really to think about the governance structures and the accountabilities. I think a great difficulty we have had in Australia, unlike many other countries, is that we have had a political vacuum at a federal level. There has been a lack of agreement on the fundamental direction. We have not had that to anywhere near the same degree at a state level. There have been differences, but I think they have been much narrower and I think they have been passed at a state level where different parties have agreed on those changes. So I think it comes back to governance and it comes back to a recognition of the economic realities of where you are making electricity and who ought to be held to account when the transition does not happen efficiently or when there are problems.

Electricity is a constitutional obligation of the states. In this truly national paradigm, which really has not worked, they chose to delegate a whole lot of this to these quasi-national authorities, which have been at a bureaucratic level trying to make up for a political vacuum—and failing hopelessly. Energy is on the front page every day, when it really need not be. Energy is important, but it really need not have the political difficulty that it does. So my answer is governance and once again it is about the buck stopping transparently at the appropriate place, which is why I am so excited about the Victorian developments, as I say, now replicated in other states where premiers and governments are taking charge and they are saying, 'We're now accountable for this. We've got these policies. Should we fail, we are going to be accountable for them and not some distant committee or distant entity'. I am hopeful that in the sort of areas that we are moving to—the travel—we are actually heading in the right direction. I just hope that we move then more quickly and more thoroughly.

Dr BACH: Thank you for that.

Mr GOODFELLOW: Just to add, the alignment at federal, state and local levels needs to happen. That is a necessary step. The Victorian state government has shown lots of leadership in this space, as Bruce Mountain outlined. A good sign in terms of process is that there is an alignment now in terms of the goal. The net zero by 2050 has at least been acknowledged by all parties. The other thing in terms of process is the low-hanging fruit, just to get that right early on. The stuff I outlined in terms of co-ownership and co-investment—just to get that established now before that larger scale rollout happens. I mean, that is kind of what is needed, so it is good that you are considering these things now.

Dr BACH: All right. Thank you both very much.

The CHAIR: Thank you. Ms Taylor.

Ms TAYLOR: Yes, a really, really interesting discussion—thanks for your presentations today. I am not sure if there is too much more I can drill here because it has really been so informative. I think, Tony, you were talking about connecting with community. Obviously government is always wanting to connect, ideally, and have policies transcend—so there is never a lack of will. It is always finding that magic. I know that there would already be much work going on, because I have regional members who work very hard on these kinds of activities. I mean, you have got social media, you have got community groups—what are some of your preferences?

Mr GOODFELLOW: I touched on the Latrobe Valley Authority and similar entities like that that could kind of formalise those voices of community and have a clear pathway to connect with other levels of government and to be empowered. I think that might be a good way forward to actually do that most efficiently, so I did touch on that. I agree it is a very tricky question. But yes, how to do it? There are best practices, and you can embed the need for community engagement and benefit sharing in the actual rollout. With VRET 2 the guide actually does that quite well. That is basically an industry standard, but the VRET projects are the only ones that actually need to adhere to that. So embedding those necessary steps for all projects at a regional level would actually help. Right now it is project by project, and it is kind of an old way of thinking. When there were a couple of wind farms here and there, it was okay to think like that, but now, because of the renewable energy zones, that thinking has to change to a regional level. So it is more of a spatial and geographical framework change as well.

Ms TAYLOR: Thank you. As you were saying that I have now digested what you were saying before. I missed a little bit of the thread.

Mr GOODFELLOW: No worries. You have had a lot of information today.

The CHAIR: Great. Thank you. We might go to Mrs McArthur. Bev, I hope you can hear us there.

Mrs McARTHUR: Yes, I can. Thank you very much, Chair. And thank you, gentlemen. Now, please correct me if I am wrong, but as far as I can establish there are no renewable energy zones inside the tram tracks of Melbourne, yet the communities outside the tram tracks of Melbourne have to endure—enjoy perhaps—the renewable energy zones and what comes with them. What do you say is important in terms of how the community can be taken along this path, when there is significant amenity loss in terms of agriculture, environment, property values et cetera with having 30 potential projects with overhead transmission towers the height of the MCG lights, for example, crisscrossing like a spider web across rural Victoria so that those inside the tram tracks can enjoy the benefits of clean, green energy status but those outside the tram tracks will not be able to appreciate a green transmission of that energy?

Prof. MOUNTAIN: Yes, I am happy to start on that. I think within the electricity industry, the calculations and the authorities, which is my world, they have very limited ability to properly account for the social licence issues that you point to. They cannot effectively codify and quantify them, but undoubtedly government sees them. Offshore wind, I might suggest, is largely driven by social licence. There is a genuine cost. It is difficult to express in dollar terms, but it is reflected in policy terms, which I think will see a lot of that electricity production in Victoria, as I say, these huge numbers, off the coast, where social licence issues, I think, will be much easier to deal with. So I think I see government actually responding to it, and I see it responding to it effectively.

The criticism I might have is more within the electricity sphere—the circles that I mostly move in—in not being able to countenance these things. It thinks narrowly, as you heard yesterday with, I think, the Australian Energy Council saying that offshore wind is twice the cost of onshore. Well, yes, when you measure it at the point of production. But once you properly account for social licence and distribution and transmission and the social licence associated with transmission, the picture looks very different. So I do believe these are being reflected in policy, and I think the government's focus on decentralising and my arguments about local electricity networks to maximise the scope for decentralised energy are all about those perfectly legitimate social licence issues. As I say, I think my criticism is less of government policymakers not accounting for it and more regulatory agencies and the industry not properly knowing how to deal with it.

Mr GOODFELLOW: I will just add that if the benefits only go to urban areas with cheaper power and the costs are borne by regional communities, then that could be a serious issue in terms of slowing down that transition. Regional communities have to benefit from this transition that is happening in terms of the just transition model. It is not just a nice thing to do, but it is absolutely critical. I highlight some of the steps that we have outlined and have been calling for in terms of getting that right for social licence. So thank you for the question. I think it is really important.

Mrs McARTHUR: Yes. If you could just also enlarge: I have heard from others that they think they can just buy people off via compensation or better compensation, whether it be to individual landowners or communities, but that is actually not what many are arguing about. They are arguing about the actual loss of amenity to an area, whether it be in the environment, the aesthetics, the property or agriculture. So could you just enlarge on the fact that money will not buy licence in this space?

Mr GOODFELLOW: Yes. And that is correct. In terms of the research some of the most important factors to get right are community engagement and just being able to respect the community in terms of that approach. In terms of wind farms, just looking at that as an example, some of the things that are most important for landholders for wind farms are often just the most basic things. I have heard the top line of contracts is often 'Make sure the gates are left as they're found'; that is like a number one thing. So often the priorities are not what we expect. The compensation that I was outlining before is something that should just happen because it is fair, not because it is trying to get a project passed. So they are not necessarily connected, but we strongly believe that compensation should be looked at and adjusted as well.

The CHAIR: Okay. We have got about 2 minutes left for this session. So I might quickly see if Mr Hayes has a question as time is drawing to a close. Mr Hayes, any questions?

Mr HAYES: Thanks, Chair, and thanks, Tony and Bruce—fascinating stuff. I want to go to the issue of privatisation and what you were talking about was the argument being all over the papers about energy all the time. I was just thinking if a body like the old SEC was still in existence, all of this stuff would have been ironed out a few years ago. It just makes me think that there really needs to be a stronger hand in direction here about transmission and planning for exactly what we need and from where. I am just wondering: where do you see the role of government in this—I mean, it is probably too late for government ownership, but at least some sort of government control, more so than what we have seen recently?

And another aspect that I would like to tag onto that is the importance of local generation. Like Mrs McArthur was saying, there is no power generation within the tram tracks; there is all that rooftop solar now, and some of the big players discount it or talk about it as if it is an add-on, but surely there is a great role for local generation too, and maybe that is not being take into account in the planning. I just wonder if you would like to make a comment on that.

Prof. MOUNTAIN: Okay. I think the potential for extension of rooftop solar, even in the Melbourne CBD, as the studies show, is much bigger than is commonly thought, so there is great potential for substantial local supply. Government policies are directed through Solar Vic and through the broader programs to add 750 000 solar homes to 2030, and I think that is policy in the right direction. I think the earlier discussion we were having on access to the distribution networks and charges for that can take that a lot further, and it could be economically sensible to be doing that.

On your broader point of direction, the Victorian government is establishing VicGrid at the moment, a department or a subdivision of DELWP. My view would be to make that some kind of statutory body answerable to the Parliament through the minister or something so it has the independence. A whole lot of the issues of transmission planning are social licence; they are issues of broader policy, and government alone is able to resolve those. There is no doubt that that is where it has got to go, and we have kind of got a step on the way with VicGrid. But with the offshore wind and what have you the arguments become even stronger to take that next step sooner rather than later and establish these entities, establish the accountabilities and ensure that they have the technical skills and the necessary powers but also the answerability to the Parliament and to the government for the actions they take. So I think that is where it is going, but I would certainly love to see it get there sooner.

Mr HAYES: Yes, sure. Thank you.

The CHAIR: All right. Tony, did you want to briefly add anything there?

Mr GOODFELLOW: That is fine.

The CHAIR: All right. Great. Well, thank you both very much for giving your evidence today. It has been a really fascinating discussion on a whole range of levels, and I think the committee has really learned a lot from this session this afternoon. Thank you both for coming along.

Committee adjourned.