

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

2021–22 Budget Estimates

Melbourne—Thursday, 17 June 2021

MEMBERS

Ms Lizzie Blandthorn—Chair

Mr Richard Riordan—Deputy Chair

Mr Sam Hibbins

Mr David Limbrick

Mr Gary Maas

Mr James Newbury

Mr Danny O’Brien

Ms Pauline Richards

Mr Tim Richardson

Ms Nina Taylor

WITNESSES

Ms Lily D'Ambrosio, MP, Minister for Solar Homes,

Mr John Bradley, Secretary,

Mr Xavier Hinckson, Chief Financial Officer, and

Mr Stan Krpan, Chief Executive Officer, Solar Victoria, Department of Environment, Land Water and Planning.

The CHAIR: I declare back open this hearing of the Public Accounts and Estimates Committee. We welcome back Minister D'Ambrosio and officials from her department, this time for consideration of the solar homes portfolio. We invite you to make a 5-minute presentation, and this will be followed by questions from the committee. Thank you.

Visual presentation.

Ms D'AMBROSIO: Thank you very much, Chair. I will try to be really succinct, because I know I ran out of time the last time. Certainly Solar Victoria, as people know, was established specifically at the time to deliver the 10-year Solar Homes program, working with consumers, industry regulators and training organisations to boost access to what we know to be very popular and important clean, affordable and reliable solar energy as part of our state government's renewable energy future. The hallmark, if you like, or the key principles or tenets of Solar Victoria are its commitment to ensuring the highest standards in safety and quality—and that is absolutely not negotiable; supporting industry to create new jobs; accelerating the installation of solar on Victorian homes; and creating up to 50 jobs in the Latrobe Valley when the headquarters was established at the new Vic GovHub building in Morwell earlier this year. So once the Solar Homes program is fully rolled out the government will have supported more than 778 000 Victorians to power their homes with renewable energy.

If we go to the next slide, in terms of the other elements of the work of the solar homes portfolio, I talked about the rollout of solar PV for owner-occupiers, but also of course it is now extended to rental households. We have also got the batteries that accompany solar systems—so, solar batteries—and solar hot water. We also have added to Solar Victoria's responsibilities the solar for business program, supporting 15 000 small businesses to access solar PV rebates so that they are able to install solar at their work premises. And we have also added a very large signature program for our government, and that is the home heating and cooling upgrades program, supporting 250 000 low-income and vulnerable households to upgrade to energy-efficient heating and cooling systems.

The next slide just goes through the successes, if you like, or the outcomes of the solar homes portfolio thus far. This is how we are supporting low-income households: two thirds of households supported by the program earn less than \$100 000 a year; 793 solar PV systems have gone to community housing tenancies; and 30 per cent of solar homes households are from regional Victoria—30 per cent when the actual proportion of households in regional Victoria is smaller than that figure. So it is very, very popular in regional Victoria. Solar Homes has achieved more than 153 000 rebates that have been approved, more than 145 systems that have been installed, a total capacity installed of solar PV of 862 megawatts. That is huge—really, really big. More than \$289 million in rebates has been paid, and—this is a really fantastic figure too—the annual savings to a household in terms of their energy bills from solar PV are \$1073. That is significantly higher than what we had anticipated when we announced the program. The highest ever month for solar PV installations in Victoria was November last year. So it is very resilient—we had COVID of course; it bounced back really hard and really strongly. More than 2100 authorised retailers and installers are participating in the program, so it is a really well supported program, but importantly we set very high standards for participation by the retailers and installers. It is really important to drive safety—not negotiable, as I said earlier.

The home heating and cooling upgrades program that was launched on 7 May was launched for the community housing organisations component, and we are finalising the finishing touches for the broader availability of that program. The solar for business program opened on 28 May. More than 200 rebate applications have already been submitted, so the word is spreading, and businesses understand that this will be good for them.

I think that might do it. I think I have covered all of the key elements, and just in time too. Thank you.

The CHAIR: Thank you, Minister. I will pass to Ms Nina Taylor.

Ms TAYLOR: All right. There is a lot to love about solar. Now, I want to refer you to pages 185 and 186. I just want, I think for the benefit of the committee, to understand a little bit more about the purpose the funding has been provided for: the continuance of the Solar Homes solar rebate program.

Ms D'AMBROSIO: Okay, the purpose, yes. Look, this was really important. Obviously with any program that governments want to support and fund you need to understand why you are doing it. We were absolutely clear that our program was going to be very big and very accessible to a whole range of Victorians, no matter their background, no matter their capacity. Since its launch, I have already mentioned that it is supporting a hell of a lot of people—141 000 households. The figures speak for themselves in terms of the cohorts of Victorians that are going for it. I think it was 30 per cent that are earning less than \$100 000. I think it was 30 per cent that I had. It is more than that in fact—two-thirds. Actually it is the reverse: two-thirds, despite the fact that the eligibility of the program includes earning no more than a combined household income of \$180 000. So it is very, very accessible, and it is easy to apply.

Coupled with the loan component of the scheme, we are effectively making a solar panel system available virtually at no up-front cost, and people are saving dollars from day one. So it is absolutely very strongly supported across the Victorian community, but available not just to the lowest income Victorians but right up to \$180 000—because we know of course that there are a lot of families out there that have got kids. They might be slightly higher income earners but still, you know, choosing between whether they have got enough money to put a solar panel on their roof or go for that nice little, short weekend holiday with the family. That is the choice that many people have—it is one or the other. You know that most Victorians, for obvious reasons, will say, 'Well, if we can do something with the kids, help them out, and just go out and just be a family', and that is what they will go for. This is about avoiding those families having to make that choice; they can have both.

Ms TAYLOR: Win-win—sounds good.

Ms D'AMBROSIO: Yes.

Ms TAYLOR: You were talking about small business before. How will this funding help small businesses to access solar PV systems?

Ms D'AMBROSIO: Look, we know—and there is no contention around this—that small businesses have had a very tough time, and we are putting a lot of investment in a whole range of programs to assist them to get through what is an unprecedented pandemic. We know that. We have understood that in terms of the energy perspective, and there are a number of things that we have done over a number of years, and now we have gone to this initiative to provide support for businesses to save on their energy costs. This program—and there are a number of other programs in terms of energy efficiency and the risks for businesses—is about small businesses and access to solar PV. We are going to be making available 15 000 rebates over three years to small businesses, and we have already had some really good interest that has come forward on that. We announced the eligibility criteria back in early March, and we are just now finalising, because we want to make sure the design of this is the most appropriate and works well. That is why DELWP and Solar Victoria have worked with the Victorian small business sector key peak bodies to develop the eligibility criteria to apply for that rebate. So from May the rebates have been available for small business. There are eligibility criteria there, and we know that it will play an important role in their recovery, if you like, in a COVID situation.

There are a number of other things—just very quickly—that we have supported for a long time now that have benefited businesses to put downward pressure on prices. I will not deviate too long, but our Victorian Energy Upgrades program, which has been in place now for a number of years, is absolutely delivering lower prices on bills for small businesses and of course residential customers. So that is one that is an ongoing commitment from our government.

Ms TAYLOR: Very good. Can you explain how the funding will help Victorians access more efficient home heating and cooling systems?

Ms D'AMBROSIO: We know what works; right? The success of our solar PV system rebate and understanding how you design a scheme, a program, that makes it as accessible to as wide a variety of people as possible is absolutely vital. The heating and cooling program responds to what is a very difficult problem to resolve, and that is the fact that in our market, in terms of home heating, more often than not, or almost always, the cheapest heating systems are also the most energy-guzzling systems, and of course they emit a lot of carbon emissions too. Buying the system as an upfront cost can be really cheap, but the actual operating cost is deadly to Victorians, so we had to break that nexus. That is what we want to do—we want to break that—so we have made a dedicated decision to have a massive overhaul of those systems that exist across homes in Victoria.

250 000 low-income households will get an upgrade to any systems that are outdated or unsafe or inefficient with a reverse-cycle split system—so swapping out your inefficient, unsafe heating system for new, more energy efficient and more effective heating and cooling systems. So you are getting a double benefit here. And they will all have I think a minimum of 4 stars—I think I am correct, Stan?—so very good in terms of what is commonly sold out there. Those rebates are going to be made available, and they are going to make a big difference to a lot of people out there that just need that extra help to be able to make that changeover.

Ms TAYLOR: Every bit helps. Yes. Excellent. Okay. Now I would just like to explore safety in regard to this. Specifically looking at pages 185 to 186 of budget paper 3, what actions has the government taken to ensure safety across the program?

Ms D'AMBROSIO: This is heating and cooling, yes. Safety, as I said, is not negotiable, it is paramount. I might ask Stan if he wants to just go through some of the detail, but the design of the scheme will be such that for systems that may need additional work—because sometimes you do not know what you have got until you actually get in there and see the state of the electricals, right—there will be an additional rebate of up to \$700. That will be on a case-by-case basis, depending on any additional works that might be required at a property to make sure that it is safe. You cannot have electricians going in there and seeing that something is unsafe and then people not having the means to be able to get that installed and make sure that there is safety that is applied. We have also worked with industry and the welfare agencies in the co-design of all of the stages of the program to make sure that it is targeting the people who need it the most and that the program is delivered safely. We are taking the same approach to this as we did to the Solar Homes program in terms of the qualifications of the people that will be installing it, and we are ensuring that we do this again with the full endorsement, if you like, of industry and regulators to ensure that every step of the way has safety as the first and highest priority.

Ms TAYLOR: Excellent. With regard to the Solar Homes program, what specific requirements are imposed on installers in terms of installer safety?

Ms D'AMBROSIO: Look, I might just throw over to Stan just to give him a bit of a go at this, but I can tell you in a broad sense. Installers have to be licensed, A-grade electricians, and they cannot have any apprentices working alongside them without the presence of an A-grade electrician. I believe that is the case, Stan. There are a number of other technical matters, and we have a technical book on this that is issued and updated regularly by Solar Victoria. But I will hand it over to Stan to complete the details for that question.

Mr KR PAN: Thank you, Minister. Good evening, committee.

The CHAIR: Perhaps we can come back to that in the next question. I will pass to Mr Riordan. Deputy Chair, thank you.

Mr RIORDAN: Minister, my first question is referring to budget paper 3, page 174. Can you confirm, Minister, that the funding to the Solar Homes program has been cut by more than \$100 million this financial year?

Members interjecting.

Ms D'AMBROSIO: If you want to listen to the answer, I am happy to give you the answer.

Mr RIORDAN: I am listening.

Ms D'AMBROSIO: The number of rebates that are available has not changed at all. They do not change. They are available for any Victorian that wants them.

Mr RIORDAN: So how does that work then on the budget?

Ms D'AMBROSIO: Yes, okay. Xavier, would you like to just explain the explanation behind the way that it is constructed?

Mr RIORDAN: Explain how a 24.2 per cent reduction in the money allocated is not a cut.

Ms D'AMBROSIO: It is not a cut.

Mr HINCKSON: Thanks, Minister. Thank you, Mr Riordan, for the question. As you would be aware, the program is extended over 10 years, so we estimate the number of rebates that are going to be put out to the market in any given year. Given the disruption to the market from the COVID pandemic last year and the disruption to the number of rebates that were pushed out, that means that fewer rebates than we were anticipating to occur in the current financial year were actually given out, and that means we need to move that volume of rebates from the current year to the following year. So the budget papers probably understate the number of rebates that will actually be going out to the market for 2021–22.

Ms D'AMBROSIO: Rebates have not disappeared. Money has not disappeared. It is a COVID-related adjustment.

Mr RIORDAN: Where would the money that you have allocated go then? You have reduced it by 24.1 per cent. Does it sit in a little piggy bank or something?

Mr HINCKSON: It is in the current financial year's budget for 2020–21, and so it will be moved from this year's budget to next year's budget.

Mr RIORDAN: So if people started taking it up again, that would then blow out that line item, would it, or would you have to put a cap on it?

Mr HINCKSON: Note that the total value of the scheme is fixed over the 10-year program. It is just rephasing the money from year to year across that 10-year period.

Ms D'AMBROSIO: It is about—

Mr RIORDAN: This rephasing—I reckon I have to figure out how to do that with my home loan. You guys are rephasing. It is great.

Ms D'AMBROSIO: It is about being nimble to ensure that there is more than sufficient supply to meet the demand. That is what dictates the program. And demand is continuing to increase, and we had a record November last year—

Mr RIORDAN: But, Minister, you just said you had a record last November—

Ms D'AMBROSIO: Yes.

Mr RIORDAN: you are saying it is continuing to increase, but in the next breath it is \$100 million less.

Ms D'AMBROSIO: Yes, well, you need to follow the bouncing ball on this one. The point is this: we had the COVID situation, and that has meant of course peaks and troughs in terms of the ability to install systems and therefore pay out rebates, which is very important in all of this, so just consider that. But the fact is that every Victorian out there that meets the eligibility criteria is able to go in, make their purchase, get their rebate—

Mr RIORDAN: But there is no limit on this.

Ms D'AMBROSIO: and get their panels installed. There is absolutely no change to that whatsoever.

Mr RIORDAN: And there is just no limit on it. So as many people who can apply can apply.

Ms D'AMBROSIO: Well, we believe that the funding and the anticipated numbers of rebates that we are making available will more than sufficiently meet the demand. But that is just a logical way of managing your budget.

Mr RIORDAN: Yes, it is amazing. You have got this growing demand and \$100 million less. I note that the Solar Homes program is one of two line items within the 'Reliable, sustainable and affordable energy services' objective. By what total percentage is funding for this objective being cut?

Ms D'AMBROSIO: Sorry, which paper are you referring to?

Mr RIORDAN: So this is still in budget paper 3, and it is the Solar Homes program—it is one of two line items within the 'Reliable, sustainable and affordable energy services'.

Ms D'AMBROSIO: Yes.

Mr RIORDAN: By what total percentage is funding for this objective being cut—or, as you like to say, rephased?

Ms D'AMBROSIO: You want me to calculate that for you? You want me to get the calculator out?

Mr RIORDAN: No, I just wondered. Do you know what percentage?

Ms D'AMBROSIO: I cannot give you a percentage off the top of my head, no.

Mr RIORDAN: Just take that on notice. You will let us know what it is.

Ms D'AMBROSIO: Xavier, if you have got the answer, we can deal with it now.

Mr HINCKSON: Thank you, Minister. Thanks again for the question, Mr Riordan. So I think this also reflects one earlier question that was asked around changes in the annual funding from year to year being described as a cut. As you would be aware from the initiatives that are announced in the budget, almost every initiative has a different funding profile from year to year, and so the output cost that is reflected in the budget paper is simply the aggregate of all of the individual funding profiles of every initiative. Each one goes up and down, and so that means that a change in the output costs from year to year does not necessarily represent a cut, it just represents the initially agreed funding profile for those initiatives.

Mr RIORDAN: Right. It seems a bit hard to track though, but anyway. I have got another question here referring to that same line item, where it shows an \$11.8 million reduction—sorry, not a reduction but an underspend from the budget to the expected outcome—and I guess that is just because you did not have as many people take it up as what you expected. Is that the answer?

Ms D'AMBROSIO: Xavier will answer.

Mr HINCKSON: Thanks again, Minister. Thanks again, Mr Riordan. It really just reflects differences in timing. So obviously the budget is a series of estimates that reflect some assumptions about market take-up and so on, and demand, and then the conditions that are at play to enable us to actually push out the rebates and the take-up. The original budget obviously was in November. That was the estimate at that point in time. Six months later this is the latest expected outturn figure, and so it just reflects the changes in the take-up of the rebates over that time.

Mr RIORDAN: So, Mr Hinckson, you have a lot of partners in this solar rollout through approved resellers and installers and so on. We have heard about that before. When you have an under-utilisation or a rephasing or balls in the air that are \$100 million less, that must have some impact—

The CHAIR: Sorry, Mr Riordan. Your time has expired. I will pass the call to Mr Hibbins.

Mr HIBBINS: Thank you, Chair. Thank you, Minister and your team, for appearing this evening. I would like to ask again about renters, which I think we discussed at the last hearing. You indicated that that was increasing again. You have got a 50 000 target over 10 years for renters—that is about 5000 a year or around

400 a month. The last two months were around the 90- and 100-odd mark. Are you still committed to the 50 000 target for renters, and how are you actually going to achieve that when the numbers are so low?

Ms D'AMBROSIO: If that is okay, Sam, I will ask Stan to deal with that. I will ask him now rather than towards the end of the time.

Mr KR PAN: Thank you, Minister. The program only commenced last financial year. In this financial year it has continued to grow. I think we responded to that question last year. This year the Solar Homes program has already approved more than 1600 applications. Our funded allocation this year was for 2000 rental properties and supported more than 1400 renter households to install. I think about 45 per cent of them have also taken up the loan. The loan can be split between the rental provider and the renter, but then it is up to the rental provider whether they want to pass on the costs of the loan or whether they want to just assume them themselves. So it is taking up. In the next financial year the allocation is 3000, so it does ramp up over time. Although 50 000 renters is an ambitious target, we certainly have a ramp-up time. We work really closely with the Real Estate Institute of Victoria, the property managers and the rental bond authority to promote the program. There is an advertising program which you might have seen on social media yourself which promotes all aspects of the program, including the renters, and we would expect that that would continue to grow over time.

Mr HIBBINS: And you are confident that the policy settings are in place? Because obviously it is going to be quite high to actually reach that 50 000 target.

Mr KR PAN: It is certainly ambitious, but the program as a whole, with 778 000 homes targeted over 10 years, is hugely ambitious. It is unprecedented in terms of certainly this country. The 50 000 commitment is an important one, because with the history of both solar and renewable energy and energy efficiency, that split incentive between a rental provider owning the property and having, I guess, different incentives to the renter, who is actually paying the energy bills, is one that is incredibly difficult. It is a really hard nut to crack. We are really pleased in fact that the take-up has been as it has been. It was a little bit lower in the first year, but as we ramped that up and made the loan program available, it has been ramping up, and certainly there is nowhere else in the country that we have seen where there is a program that is able to deal with that split incentive and support renters in this way. Indeed the energy efficiency upgrades that the minister referred to in terms of low-income households for reverse-cycle air conditioners will also include rental providers and renters.

Mr HIBBINS: Okay, thank you. You can take this on notice, but finally—and I think I asked this last time, but I am not sure we got the figures—can you provide a breakdown for the committee in terms of the postcodes for installation of solar on rental properties?

Ms D'AMBROSIO: Yes, we can do that.

Mr HIBBINS: Okay, thank you. Thanks, Chair.

The CHAIR: Thank you, Mr Hibbins. That concludes the time we have set aside for consideration of the Solar Homes portfolio with you 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.

We thank you very much for appearing before the committee today in your various capacities. We thank all other ministers and officers who have also given evidence to the committee today, as well as Hansard, the secretariat, the attendants and the catering, cleaning and security staff who have assisted us.

The committee will resume its consideration of the 2021–22 budget estimates tomorrow.

We declare this hearing adjourned. Thank you.

Committee adjourned.