

# CORRECTED VERSION

## ECONOMIC, EDUCATION, JOBS AND SKILLS COMMITTEE

### **Inquiry into community energy projects**

Traralgon — 6 March 2017

#### Members

Mr Nazih Elasmr — Chair

Ms Dee Ryall — Deputy Chair

Mr Jeff Bourman

Mr Peter Crisp

Mrs Christine Fyffe

Mr Cesar Melhem

Mr Don Nardella

#### Witness

Mr Phil Stone, General Manager, City Development and

Mr Bruce Graham, Coordinator Regional Strategy, Latrobe City Council.

**Mr STONE** — Good afternoon Mr Chair.

**The CHAIR** — Well Bruce and Phil, welcome and allow me to introduce the Committee Members, Mr Cesar Melhem, Peter Crisp, myself, Nazih Elasmr and Don Nardella. Now I will read the process first and then I'll give you time so you state your name and whatever you want to give us, some briefing.

Welcome to the public hearing for the Economic, Education, Jobs and Skills Committee Inquiry into community energy projects. All evidence taken at this hearing is protected by parliamentary privilege. Any comments you make outside the hearing are not afforded such privilege.

Hansard is recording today's proceedings. We will provide a proof version of the Hansard transcript so you can correct any typographical errors. So please before you make a statement just state your name and I might mention Mr Crisp will be leaving us in about 15 minutes, so don't take it any other way.

**Mr STONE** — I understand.

**The CHAIR** — All right.

**Mr STONE** — Thank you Mr Chair. My name is Phil Stone. I'm the General Manager City Development at Latrobe City Council and I'm joined at the table by Mr Bruce Graham from Latrobe City as well. He's the Coordinator of Regional Strategy.

The two of our roles form part of a very important function within council and that is to try and grow the prosperity of what is a community in transition. So I would like to thank the Economic, Education, Jobs and Skills Committee for hearing us today and on behalf of council we appreciate that the Committee's travelled to the Latrobe Valley for this hearing as well.

We understand the Committee has a copy of our submission outline, but we were only made of aware of this two weeks ago and thanks very much for drawing it to our attention, so we haven't had the chance to make a full submission at this stage.

So I would just like to speak to the points of the outline. I'll try not to take too long. Firstly Latrobe City's economy as I said is in transition. We have upwards—almost 20 per cent unemployment in some towns and this started I think many, you know back in the 1990s with the structural change in the electricity industry, the privatisation of Victoria's industry and it's now accelerating of course as we've heard with the Hazelwood Power Station closure, announced closure at the end of March with a loss of 750 direct and 2,000 indirect jobs or thereabouts from our regional economy.

It's important to understand that council's function in this as I said is to grow the prosperity, try and turn around and facilitate that transition with the help of state and federal government. One of the underpinnings of that transition should be to still continue to take advantage of an economy's natural resources and talent. So we're very proud to be and you know very enthusiastic to be presenting today.

Our understanding of community energy was somewhat—you know we didn't have a lot of pre-knowledge about this notion. So we did some research and we understand community energy is the notion of developing renewable heat and power, produced locally and distributed through a wire network through some sort of private jointly owned, community owned or otherwise arrangement.

The idea is that as it's produced close to where it's needed there is reduced energy losses, higher efficiency and obviously over time lower energy costs as one of the Committee Members talked about before, even the possibility of developing some sort of a cooperative and profit out of it. The key to successful projects is community initiative we really think and we've worked long and hard with building a dialogue with our community to understand what it needs.

That is of course community issues where a community group initiates, develops and operates and benefits from their community energy project. So council is very supportive in its policies of this initiative and any initiatives that might come from this hearing and this community's work.

We also would say though and add to it is that it's part of the picture, it's not the whole picture. It's not the complete answer to community energy needs or to environmental sustainability. Or dare I say economic growth and prosperity. We're not aware of any community energy projects in Victoria that provide the complete answer to community's energy needs and we are not aware of a community energy project anywhere in the world from our research albeit there some brackets there "(two weeks times)" we've taken to research this, which is capable of supplying baseload energy to heavy industry.

So I've downloaded a diagram with the sources from eonenergy.com around community energy and we can pass this around. But it's quite—it's a good representation of what community energy might look like. You have the centralised, if you like a low carbon energy, highly efficient energy production centrally located. But it's also supported by a power station and other renewable, larger scale renewable energy projects.

It's interesting to note that the UK experience and I'll quote from the UK status on community energy report that says, and I'll quote, "At least 5,000 community energy groups have been active across the UK since 2008. Community energy is currently focused largely on a renewable electricity generation with the most prevalent technologies being solar PV and onshore wind. At least 60 megawatts of community owned renewable electricity capacity is currently in operation."

Now I just contrast that. My point is it's part of the picture but it's not the whole picture, is AGL energy has just agreed to supply 510 megawatts each and every day to the Portland smelter. And my understanding is most of this energy will come from AGL's 22,010 megawatt coal-fired Loy Yang Power Station which is located on the outskirts of Traralgon as you would all know.

And so we'd like to also ask this community to focus on what is another one of the Latrobe Valley and Latrobe City's competitive strengths is its capacity for heavy industry. And our concerns around energy security as well. So the Victorian Australian experience we had a further look in there which is the next point I'd like to make. Is the community energy projects appear to us to be at the embryonic stage and I assume that's part of the why for this Inquiry by the Committee.

We understand there to be about half a dozen in Victoria that are in some form of development and just over 20 in Australia. There is some points made around two specific announcements around Newstead as a community energy project with a \$200,000 grant from the Government and Woodend with \$100,000 grant from the Government to try and kick start these projects which in themselves appear to be quite good initiatives to generate some momentum within their respective communities around being more self-sustaining.

The last point I would like to make is that the policy setting—around the policy settings. There is a guide to community owned renewable energy for Victorians prepared by the Department of Environment, Land, Water and Planning. It's an excellent reference. Appears to be consistent with Victoria's renewable energy roadmap which was developed by DEDJTR in August 2015 and a couple of other strategies there.

The energy efficiency and productivity strategy and the new energy technology strategy. We also note the comment in the forward to the Victorian renewable energy roadmap by minister the Honourable Lily D'Ambrosio MLA and she said, I quote, "I look forward to working with all Victorians to achieve a sustainable energy future."

We concur as a council and we think that we should be working towards a sustainable and would add secure, reliable and cost-effective energy strategy that especially seeks to develop, to grow the prosperity and the economic well-being of our communities, especially of the Latrobe Valley.

So Inquiry's terms of reference, if we can focus on the third of the Inquiry's terms of reference which is to investigate the best ways to encourage the uptake of community energy projects. As I said earlier the key to successful projects is community initiative. That is where a community group initiates, develops, operates and benefits from their community energy project.

We agree with the approaches and processes outlined in the guide to community owned renewable energy for Victorians. They are correct, especially with community engagement and communications sections. We think the two best ways to encourage the uptake of community energy projects are to facilitate community groups who wish to initiate their own community energy projects and support demonstration projects, just as the Victorian Government has already supported community energy projects in Newstead and Woodend as I referred to earlier.

Council could assist community groups to initiate community energy projects in Latrobe City and like many councils in Victoria we have a community strengthening department and an economic development department that works very closely with our community in general and especially our township-based communities. We have recently conducted a number of community conversations off the back of the announcement by Hazelwood which has led to our strength-led transition document which I am happy to share at a later date with the Committee if they're interested.

We note the references to metropolitan areas in the 6th and 7th of the Inquiry's terms of reference and I would just ask the question is the Committee taking a broad or a narrow view of these terms of reference because we would very much encourage that metropolitan doesn't only mean metropolitan Melbourne but it means getting out into the regions as well and figuring out how they could be motivated and encouraged to undertake some of these projects.

So in summary Mr Chair Latrobe City Council supports the Victorian Government's policy in community energy initiatives and asks that it recognises that community needs to stand alongside other energy sources for a sustainable, secure, reliable and cost effective energy future. We also offer to work with Victorian Government departments and agencies including DEWLP and DEDJTR to encourage community initiatives and implementation of the Victorian energy roadmap.

And notes that our community has already signalled that it is a willing partner in the transition journey already underway. We also suggest that community groups in the Latrobe Valley be invited to put forward proposals for a model community energy project in the Latrobe Valley.

**The CHAIR** — Thank you very much.

**Mr CRISP** — I know that you've got your strength-led transition paper out there, but just ahead of us getting a copy of that what projects or initiatives is council working on to get that transition started? So I guess probably a quick, very quick snapshot of that paper?

**Mr STONE** — Yes, we see some - we've come up with four key areas that will be our top priority focus for the next you know immediate while. One is getting rail returning to Gippsland. Equitable rail services as enjoyed by other regions, such as Bendigo and Ballarat particularly.

The second part of that is the, to grow our hospital. It's a regional level hospital and quite a valuable service but it needs to grow further. I'm trying to remember the third and the fourth off the top of my head—thank you very much. We would like to, the federal and state governments to consider relocating a department, government department down here. Two that come to mind are earth and energy resources, which are quite very aligned with the activity down here. And potentially the Environmental Protection Authority.

The fourth, last but not least, is to keep our power generation within the Valley. To support initiatives for ensuring that energy security does not get any worse. As we've seen—if I can just add to this Mr Crisp in answer to your question. I read the November 2016 insights after the announcement of Hazelwood, this is from AEMO, Energy Market Operator and it said that, "Energy supply and security will be tight", following Hazelwood's closure. And I say that is a risk, that leads to sovereign risk and I would encourage the Government to certainly look at addressing that risk with its federal colleagues.

**Mr CRISP** — Thank you.

**Mr NARDELLA** — If you could have a talk to the federal colleagues that would be fantastic for us.

**Mr STONE** — We're very much banging the table.

**Mr NARDELLA** — Correct.

**Mr MELHEM** — Thank you. Phil, you made a comment about you don't, we can't have just one or the other, so you're talking about both. I mean we're in the Latrobe Valley, it's the engine of electricity generation for Victoria and South Australia and beyond and there's no question about that.? Do you see a 50-year phase out or getting into a clear, clean energy, do you see 20 years? How do you see that plays out? What's—

**Mr STONE** — Well I think there's a lot of public commentary I think coming out around an assumption made around the phase out of coal-fired power stations. I made a submission on behalf of council to the coal-fired electricity generation Senate inquiry which has happened late last year. And in it I raised the question on behalf of council, is our fight against, is our war against emissions or is it against coal? Because I know that while many things are perceived to be you know coal especially is perceived to be dirty and not, it can't very much be clean. But there is many other technologies if you like that are still in that same boat.

Where they can be cleaner if we implement new technology but are not necessarily, can be completely zero carbon emissions. So I would say that we can very much utilise new technology that's out there at the moment to make coal-fired power stations very clean. So I would argue in direct response to your question that we don't need to assume that we're going to not use coal-fired power stations in the future, because we can get the technology much cleaner that can create much needed jobs and it can provide that very needed baseload power.

To my understanding, my layman understanding of baseload power is it needs to be either nuclear, coal or hydro. Something that's continual. Especially Hazelwood has a necessity to provide frequency stabilisation. All sorts of things that renewable energy cannot do. So what I say to you is that in my opinion that we don't necessarily need to assume that we're going to phase out coal-fired power stations. But we should very much assume we're going to clean it up and make it part of that energy mix.

**Mr MELHEM** — You see this sort of support for community renewable project looking more toward solar, wind, hydro, it's in a positive manner alongside the current technology and trying to improve that?

**Mr STONE** — Correct.

**Mr MELHEM** — It's just a matter of saying what is the right balance, is that sort of your point of view?

**Mr STONE** — Yes, absolutely. I think this thing should be driven by need and market and very much the market is turning into we have some great jewels in the economic crown here, you know in Traralgon particularly and in Latrobe City in Gippsland Solar. We very much support the activities of that very successful business. He's taken—Andrew McCarthy, who is the owner of that business, has purchased the Tesla car and he's trying to get encouragement for charging stations to be, more charging stations to be, to build here. I think it needs to be a good broad mix of different energy technologies to ensure that we have this you know back up where one doesn't work and the other one can take up.

**Mr MELHEM** — Now one last question from me. You talked about governments should not be focussed so much about metro, and you're right, I think we are trying, we've done more regional hearings and I think it's more focused on the region. I think the metro sort of, particularly the CBD it's a very challenging one. Now the, what sort of challenges you reckon regional communities are facing or what are the challenges that have to be able to look at successful community energy project? Have they got sort of, what are the challenges in your view? How can we make life easier so for these projects to take off in regional areas like your region?

**Mr STONE** — Well the first thing that comes to my mind is financial of course. You know I, we've worked closely with community groups like Voices of the Valley who I think have already spoken to this forum. And one is that you know council with the rate-capped environment and more pressures on its rate base you know, council rates only have, only apportion three per cent of the total tax take of government in Australia. So we're probably least in a position to be able to fund some of these things but would play a facilitation and encouragement role.

So financial is one, if we have opportunities to be able to fund really good projects and even seed funding around assisting community groups to develop a governance model. How will the technology work? Is it technology, you know what sort of technology it is. Where would it go? And so I would say that there is the two there. There's financial and working closely with government to, with local government to help facilitate. We are the closest to the community if you like. We sort of have a good finger on the pulse of the community.

**Mr MELHEM** — So just continue on that theme. What role or has there sort of, what potential do you see the council for partnering with community groups to develop a renewable energy project?

**Mr STONE** — The Voices of the Valley, I mean we've obviously had community groups will put forward positions that council might not agree with and then other times will put forward positions that council does agree with. But I think we have demonstrated as a council very much a willingness to bring the community together and understanding sentiment. Understand what are the initiatives it wants to do. In that strength-led transition document there is I understand, I just haven't got it right in front of me. Have you got it there?

**Mr GRAHAM** — I do.

**Mr STONE** — There's a Voices of the Valley-led project in this. Look I won't fumble my way through it, but where we can help in that regard is to use our contacts in the community to bring forward community groups who are interested in doing these things. I've had no less than three proposals from different businesses who are wanting to build solar farms here, as an example.

I can't mention names because of commerciality, but part of our challenge is also trying to find the available to put them on. These are large-scale farms, you know solar arrays if you like and much of our land is reserved either for farming or for coal use and we can't touch it. So some coal policy perhaps. You know where are we going to mine coal for the next 50 to 100 years and where are we not particularly might also help.

**Mr GRAHAM** — Mr Chair, if I could just add a couple of very brief points to the questions being raised by the Committee in relation to this. Phil mentioned in his presentation that the guide to community owned renewable energy for Victorians is a pretty good resource.

We are certainly keen to work with the department in terms of getting that information out there on things along the lines of workshops and those sorts of things. It's sort of put a bit of life behind those guidelines for communities in this region that might be interested in taking up the opportunity. So that's the first point I'd make.

The second thing that emerged from the community conversation that council had in the middle of last year was the notion of developing projects and it come through a presentation too in conjunction with the community. What we call co-design with the community. In other words the community initially driving it forward and we would strongly encourage that to be recommendation of the committee. That we look for projects that come from the community that we could facilitate. Thank you.

**The CHAIR** — How would council like to see the Hazelwood site repurposed and how could the community get involved?

**Mr STONE** — It's a difficult question to answer Mr Chair.

**Mr MELHEM** — You can take it on notice.

**Mr STONE** — Yes, I might take it on notice if you don't mind.

**The CHAIR** — No, not at all.

**Mr GRAHAM** — That's a very good question.

**Mr NARDELLA** — Well we heard before that council has—if it's not your council you'll let me know. Council has rejected a couple of planning proposals to set up some recharge stations for Tesla cars and electric vehicle cars. Can you give us the background to that and what the barriers would be, especially if you're developing a tourism strategy and there's, I mean there's not a huge range of Tesla's although there's a number of other car manufacturers that will be putting out, distributing other EV vehicles in the future. What is the reasoning behind that because that would be a disadvantage in a sense to the Valley if people in those cars can't come out here?

**Mr STONE** — Yes, look it wasn't in my area of responsibility that that decision was made so I'll need to go back and have a look at that and I'm happy to provide the Committee with the reasoning behind that. I'm not sure if it was just financial. I don't think it was an actual planning application in terms of, like under the Planning and Environment Act, a planning permit. But it might have been just to free up some land. So if I could take that one notice as well and I'll provide a response back to the Committee?

**Mr NARDELLA** — Yes, that's fine.

**The CHAIR** — All right, well Phil and Bruce, thank you very much. If there are no further questions I would like to thank you on behalf of the Committee for your time and everything and my apology for Mr Crisp having to leave early.

**Mr STONE** — No problems.

**The CHAIR** — Thank you.

**Mr GRAHAM** — Thank you.