

CORRECTED VERSION

ECONOMIC, EDUCATION, JOBS AND SKILLS COMMITTEE

Inquiry into community energy projects

Melbourne — 21 November 2016

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Witness

Ms Libby Hynes, Acting Director, Operations and Environment, Darebin City Council.

The CHAIR — Welcome to the public hearing of the Economic, Education, Jobs and Skills Committee inquiry into community energy projects. All evidence taken at this hearing is protected by parliamentary privilege. Any comments you make outside the hearing are not afforded such privilege. Hansard is recording today's proceedings, and we will provide a proof version of the Hansard transcript so you can correct any typographical errors. Can you state your name before you start, please, and after you finish we have some questions to ask you. Welcome.

Ms HYNES — Thank you very much. My name is Libby Hynes, and I am the Acting Director, Operations and Environment, at Darebin City Council. I can do my 5-minute spiel now; thank you very much. Through our climate change action plan Darebin is committed not only to reducing emissions but to supporting those most vulnerable to climate change and to rising energy costs. We have done well in reducing emissions as an organisation, with significant reductions from works in our buildings, our streetlights and green power purchase, but our community emissions have been much harder to shift.

One successful program that I am here to talk to you today about, which Darebin has run since 2014, is the Solar Saver program, where we have managed to reduce emissions and help pensioners and low-income householders get ahead on their energy bills. When we did the sums in 2014, at a conservative export rate, the average home that was participating in Solar Saver would have been saving over \$90 a year in the costs that they were paying back yearly for solar.

Darebin has almost 60 000 homes, and 23 per cent of those are low-income households. There are over 10 000 pensioners, many from non-English-speaking backgrounds, in Darebin. We know from our surveys that they were concerned about their electricity bills. Solar was beyond their reach because they could not afford the up-front cost and they did not trust their electricity retailers or the people selling solar. In the Solar Saver program council pays for the solar to be installed and lets the ratepayer pay that cost back over 10 years through their rates—through a special council rates scheme.

Mr NARDELLA — Is there an interest charge on that?

Ms HYNES — There is not an interest charge on that, so Council does bear those interest costs. The savings depend on how much electricity a household uses during daylight hours, and conservatively we estimate that in the 2014 tranche they were saving over \$90 a year. Now, with feed-in tariffs having dropped since 2014, we estimate it is more like \$20 a year. If they use more energy when the sun is shining, they actually save more money, and that is because of reduced electricity costs rather than the import to the grid.

In 2014–15 we installed 292 pensioner homes with 545 kilowatts of solar, and that was across the city. As Nazih will tell you, we are a little bit greener in the south. But that is just showing you where the 292 households are—so it was right across the city, which council is very proud of. We did follow-up surveys and also looked at the smart meter data from 167 of those early participants. The blue line was the energy use before solar was installed, and the red line was the energy use after solar was installed. So that is a significant drop. That was done in the summer months of January, February and March, so obviously it is not as good in the winter months. It has also shifted the energy peak a little, and that is something that we think is beneficial to the grid.

In the most recent round of Solar Saver we have expanded the program to renters. So 34 of the 200 households participating in this year's Solar Saver are from a social housing cooperative. That is very exciting for us because we really wanted to make the program available to as many low-income households as we could, and we have got about 30 per cent of renters in the municipality. We have some things that we think could make the program more successful. The program relies on section 163 of the Local Government Act, which shows how special rates schemes should work. If we had an opt-in process for that part of the Act, it would be much easier.

Obviously increasing the feed-in tariffs, as the last speaker was saying, makes it easy for the community to participate in community energy schemes, and we think that local government and state government can partner better through funding support or through looking at something like the state concessions process to improve the spread of the program across the state.

The program has got some funding from the New Energy Jobs Fund at the moment, with two metropolitan greenhouse alliances running a project with a large number of councils over the next year. So we are really keen

on that going out. The program is being run out in other states as well. I understand that Adelaide will be starting a program this year, and I think Canberra are also starting a program.

The other thing that we believe is that virtual net metering may enable non-home owners to enjoy the benefits of lower electricity bills from solar. Virtual net metering is where the solar may be on a building over here but the person over here may be getting the benefits of the solar. We are supportive of changing legislation and energy rules and retail practices to facilitate this. That was what I wanted to say.

The CHAIR — Thank you, Libby. Are these copies for us?

Ms HYNES — You can have those copies, yes.

The CHAIR — Thank you. Your submission mentions that community energy projects can help to develop jobs in the industry. Can you provide some examples where this has occurred through community energy projects in your area?

Ms HYNES — Throughout our area at the moment we are installing around about 400 kilowatts of solar, through the last tranche of Solar Saver we did 545 kilowatts. That has employed at least four sets of contractors and it has put around about \$1.6 million into the solar industry. That is one council. Over many councils that would make a lot more of an impact.

Mr NARDELLA — How many people in those four contractors?

Ms HYNES — Usually there are two or three people working for a contractor.

Mr NARDELLA — How big are the systems, on average, that you install on the houses?

Ms HYNES — In the first lot of systems we only installed 1.5 kilowatts and 2 kilowatts, and that was for two reasons. One reason is that the pensioner homes that we were looking at are usually smaller energy users than large families. In the next lot of Solar Saver we have installed up to 3½ kilowatts of power, and that is because some of the rental properties that we are working with have larger families. We wanted to size the solar so that people were actually getting a benefit from the use of the energy rather than the import. So if there were high feed-in tariffs, obviously you would put as much solar on your house as possible because you would be making money when you are importing. But the sweet spot is where you are actually using the energy that you produce from solar. That is when you are saving the most money.

Mr NARDELLA — So did you do a study of the pensioners and then the social housing cooperative members to work out where those figures would be?

Ms HYNES — Yes. As part of the process we hired the Moreland Energy Foundation to go out and basically get the electricity bill data from the participants before we decided whether they were eligible for the program or not, because we did not want to have somebody installing solar who was not going to benefit from it financially.

Mr NARDELLA — So that benefit financially has gone from 90 bucks down to 20 bucks?

Ms HYNES — We have estimated about 50 per cent export tariff, and that is pretty conservative for these households because most of them are home during the day using electricity.

Mr NARDELLA — Is there an education component to them having the solar panels installed so that they get best and maximum use?

Ms HYNES — Yes.

Mr NARDELLA — How is that done?

Ms HYNES — We have set out information and also run workshops. We have actually just had a Melbourne University person do a follow-up survey with some of the early participants, and what they have done, which we told them to do, was to shift behaviours like doing their dishwashing or using the dishwasher or using their washing machines during the day so that they can get the benefits of the energy that they are using when the sun shines. We also looked at things like air conditioning. They have not shifted that behaviour, but

that is because obviously for comfort and being elderly you want to make sure that they are using their air conditioning when it is needed rather than when the sun is shining.

Mr NARDELLA — Again, on average, are they comparable, competitive quotes in terms of a 3.5-kilowatt or the 1.5 or 2-kilowatt systems? Are they more than the average; do you get the best price? How do you work out the best price so that their repayment over the 10 years is minimal?

Ms HYNES — We had a competitive tender process. They are not the cheapest prices, but we think they are the best value. We have 10-year warranties on both the inverter—the panels have more than 10 years—and on the actual installation. Most people would only get up to five years, so we think that is really good value for them. So if the inverter does break down in that 10-year period, it will be replaced by the installer. They are competitive rates. We know that people get a quote from us and then they go to another industry person and get another quote, and they generally come back to us. In some cases they have used the other industry provider.

Mr NARDELLA — So they could choose another industry provider to come into the scheme?

Ms HYNES — They could, but we would not fund that through the rates process.

Mrs FYFFE — Do you know how much the total cost to council for running this scheme is per annum?

Ms HYNES — Council is actually paid back, so the first year council put in \$1 million for the scheme. We only spent \$900 000. That cost Council around about \$30 000 in administration and obviously the lost interest on the money, which depends on interest rates. But that money is paid back to Council over the 10 years. So in terms of our financial balance it is actually recognised in the first year. It comes back just because it is a rates...

Mrs FYFFE — But because you are not getting interest, you are actually not meeting the loss.

Ms HYNES — That is right. That is the loss. So it is \$1 million over 4 per cent interest.

Mrs FYFFE — And how many households have you assisted with the scheme so far?

Ms HYNES — Four hundred and ninety two.

Mrs FYFFE — So just to be clear on this, it was \$1 million put up in the first year in the funding pool.

Ms HYNES — Yes, but we only spent 900 000.

Mrs FYFFE — But you have been going for two years.

Ms HYNES — We have actually been going longer than two years but there have been two lots of budget that Council has put in. They put in a further \$1 million for this current Solar Saver, but we are probably only going to spend up to \$800 000 of that. There has been low take-up because the feed-in tariff has gone right down. People are not as interested.

Mrs FYFFE — It is still a substantial amount for roughly 500 homes, is it not?

Ms HYNES — That is correct.

Mrs FYFFE — So obviously Council is not making any money. Council is in effect losing money because being repaid the sum over 10 years, you are not getting the full amount back, because if you were being paid interest, if that money was sitting in the bank, it would be worth far more. So it is obviously just being done to be carbon neutral. It is altruistic, is it not?

Ms HYNES — It fits in with Council's plan of reducing emissions and also helping those most disadvantaged to reduce their costs.

Mrs FYFFE — And how many households have you got in Darebin?

Ms HYNES — Sixty thousand.

Mr MELHEM — Keep up the good work.

Mr NARDELLA — You said that in section 163 of the Local Government Act there is an opt-in process that would make it easier. Can you expand on that? What do you mean?

Ms HYNES — I can expand. So 163 sets up the terms for council to be able to enact a special rate scheme. Usually it has been for roads and drains. Say there are 10 properties along a drain and we need to fix a drain, and we believe that there is a reason that those properties are going to benefit more than the rest of the community, we would set up a special rate scheme and say it is \$10 000 to fix the drain. We want every house along there to pay their portion of the costs. So, say there are 10 houses, it is \$1000 each. Then there is an advertising process for how we do that, because obviously not everybody is going to necessarily want to pay \$1000 to have a bit of drain fixed. They may not think they get the benefits.

Mr NARDELLA — I thought they would have been running to the door to pay, but anyway that is okay.

Ms HYNES — The Solar Saver is a different type of scheme. The households are benefiting, but they have actually opted into the scheme. So there are two council reports that have to be made; there is advertising in the local paper. They have got a right to object or not. They have already signed up and signed a contract that they are going into it, so it takes about 90 days more to enact the process, which is probably not necessary, and it costs council money to do the administration and put the ads in the paper.

The CHAIR — With the Solar Saver program, if other councils want to do a similar program, what advice would you give other councils setting up a similar program?

Ms HYNES — We have been advising other councils, and as I say there is a project between the Eastern Alliance for Greenhouse Action, the Northern Alliance for Greenhouse Action and Maroondah Council at the moment to roll it out to about 20 other councils. Our advice is to be very clear on what you are trying to achieve. One of the issues is that even though this is a great program—you save money, councils are choosing reliable contractors and it is something that we hold people's hands through the whole time—to actually get people across the line to be interested in a project there are a lot of barriers to get through and a lot of that is around understanding how solar works, understanding that just because the feed-in tariff is not 60 cents anymore you can still reduce electricity bills and save money from installing solar. We find it much easier if there is somebody in their family who has installed solar before. So it is really that participation bit that is the hardest, but otherwise it is pretty straightforward running the program.

Mrs FYFFE — Just the co-contribution there is when you are having your gutters replaced in a road and 80 per cent or so of the residents have to decide, but they actually pay and they pay an interest on the money if they have to do borrow it.

Ms HYNES — That is correct.

Mrs FYFFE — So it is a very different scheme to the standard council co-contribution schemes that are run around the state.

Ms HYNES — That is correct. We could charge interest and, depending on the feed-in tariff and the person's use, it would probably...

Mrs FYFFE — I am not suggesting you do. I would hate anyone to think it was the same as.

Ms HYNES — Yes. With the project that the two alliances are running, they are also looking at a project where they have a loan-based mechanism to do the same thing rather than councils' rates. We are interested to see how that works out in terms of the payback and the interest in that for people.

Mrs FYFFE — On the rental properties, when people move in and move out the repayment of the money would concern me because a person may only stay for two years or a year or three years and then the next tenant has to agree to pay it. How do you handle that?

Ms HYNES — The 34 properties that are involved in the current scheme are all through a social housing cooperative.

Mrs FYFFE — So they make the agreement?

Ms HYNES — They make the agreement to pay, and then they charge that back through the rent to the properties.

Mrs FYFFE — Okay. It would be very difficult to extend to a privately owned place, would it not?

Ms HYNES — If there was a long-term tenant, it is something that you could do. But otherwise they could put it into their rental costs and advertise the house as having solar.

Mr MELHEM — Your submission talks about solar parks on council sites, and you are sort of saying why can we not use these sorts of sites to put in solar farms. What has prevented that from happening, in your view, and what needs to be done to make that a possibility?

Ms HYNES — That is where at the moment with the feed-in tariff costs you can only make money by putting solar on roofs where you are using the electricity at that site. I do not know if you know the Darebin International Sports Centre. We have got a fabulous big roof there, but we mainly use the electricity to light it up at night. That is not going to work with solar. But if we had somebody else who could use that energy during the day through virtual net metering or some other energy retailing idea, that would make it more beneficial for us to put solar on business.

Mrs FYFFE — Battery storage?

Ms HYNES — Yes, with battery storage we are waiting for a little while.

Mr MELHEM — Yes, that question was going to be for our next witnesses, but, anyway, I am glad you have answered that. What kind of energy efficiency measures could be implemented as part of the community energy project?

Ms HYNES — So through the houses?

Mr MELHEM — Yes.

Ms HYNES — Throughout the project every participant had a mini energy audit, so we looked at what sorts of lights they had, what sort of draught-proofing or insulation they had. That was not part of the program, but it was a recommendation that went to them that they could save more money by doing this. We held workshops with them about both how to get the most out of their solar and how to use energy better. And we have done some education as well.

Mr NARDELLA — With the \$2 million, you are probably forgoing about 40 grand a year in interest, depending on what sort of interest rate you get—it is about 2 per cent—so it is about a \$400 000 cost over 10 years. Have you actually thought about putting a small interest charge on that and then making the program in a sense a bit more sustainable? And what has been the barrier to that? In terms of a cost on the rates and the extra charge—it is not the municipal charge, the 10.5 per cent for rate arrears, but it is actually a charge of interest rates forgone—what has been the reason that has not been put in place?

Ms HYNES — It has basically been a council recommendation, yes.

Mr NARDELLA — Policy decision, okay.

The CHAIR — Libby, on behalf of the Committee, I would like to thank you.

Ms HYNES — Thank you very much. A pleasure.

Witness withdrew.