

CORRECTED VERSION

ECONOMIC, EDUCATION, JOBS AND SKILLS COMMITTEE

Inquiry into community energy projects

Melbourne — 21 November 2016

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Witness

Ms Susan Davies, Secretary/Director, Energy Innovation Cooperative.

The CHAIR — Welcome to this 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 you with a proof version of the Hansard transcript so you can correct any typographical errors. I am sure you know the procedure. Please state your name, and then when you finish your statement, we will ask some questions.

Ms DAVIES — Thank you, Chair. I am Susan Davies. I am the Founding Director of the Energy Innovation Cooperative, which operates mostly out of Bass Coast in South Gippsland Shire. I run a small farming business, and I am part of a local growers network. Some of my former parliamentary colleagues are here today too. Thank you very much for the opportunity to make this presentation. I will talk very briefly, and then obviously you can ask some questions.

As far as term of reference 1 is concerned we really do believe that cooperatives and other community organisations have a very important role. We think that we can help address what I see as a market failure in the current electricity system, by encouraging renewable power generation, when our current generators are a bit slow off the mark; by encouraging our distribution monopoly to become a little more responsive to the community than they have been, and perhaps helping them avoid the death spiral that they are going to face if they do not become more responsive; and also by countering some of the unfriendly behaviour in what looks like a very competitive retail market. There are 22 retailers, which is actually not very productive for the consumer and which is quite unfriendly to communities. We think that the very nature of cooperatives and other organisations like ours helps to address that market failure.

Regarding term of reference 2 I will use the term 'CORE' for 'Community-owned Renewable Energy'. It just helps, but when I talk about CORE, I really do mean 'community owned'. The fact that it is community owned, the benefit that we can offer is that as organisations we are highly accountable. We have to report to the Department of Justice and Regulation, we have to have audited accounts and we are also very accountable to our members, who live in the region and all know where we live. So you are very publicly accountable to your organisation, and we are very value driven; we are not profit driven.

Whilst financial sustainability is critical, what drives us is that as a community we want to see change, and that is what is most important to us. We think that that provides a government that is supporting community-owned energy with less risk actually. If you think about some of the commercial rip-offs with schemes like green loans and insulation, and even the PFIT—the premium feed-in tariff—you have less of that risk to government if the organisations are community focused and community driven. The other main benefit of community-owned renewable energy is that the value of that economic activity goes directly back into the community it came from, and that is a really considerable benefit.

Your term of reference 3 talks about the best ways to encourage CORE projects. We would ask that there be some way of acknowledging small communities. One of the very specific and very particular aspects of our area is that we do not have a town with 10 000 people in it. We are lots of very small communities, and we have poorer councils as a result. We do not stack up well if you match us against areas that are wealthier. For us there would be a very real benefit in having a government which aimed for a more equitable distribution of its support across the regions.

One of the ways this has been put is encouraging community powerhouses or regional hubs or something. The previous speaker mentioned a bit of that idea. As a co-op we would like to become a community hub for our area. As one of the ways that you could encourage that, I suppose the most specific example that I can give is the way that governments support Landcare.

Like our community energy project development, Landcare has a huge number of volunteers. You cannot plant 3000 trees in a day unless you get 40 or 50 people to come and help—all volunteers. But what governments have done with Landcare is they have supported regional facilitation on an ongoing basis, because if you have that ongoing regionally based support, then those volunteer efforts can be much more productively used. That would be good.

More focus on collaborative project design would also help communities like ours. At the moment, with a competitive funding round, it is guesswork. There are concepts like value for money and some matched

funding, but really it is guesswork, and an awful lot of volunteer time and effort can be wasted. I am happy to talk about that more if you want.

The other of the best ways to encourage the CORE projects is that we do need further regulatory change. We have acknowledged that this Government has done a lot and is doing more, and we really appreciate that, but we do need more change. There has been some discussion of the idea of a CORE feed-in tariff, so a special feed-in tariff for community-owned projects. Personally I am not so sure about that. I do believe very strongly that we need a renewable energy tariff that reflects the fact that renewable energy projects are not poisoning the environment, and I think that has an economic value that should be recognised. I have a submission that we made to the Essential Services Commission hearing that covers that. But the other regulatory change that we would very much like to see is that concept of—it has been called various things—solar gardens, or local energy trading, or virtual net metering. The idea is that you can have power generated in one place being sold to the people in the local community.

We were a little traumatised by the fact that you have two terms of reference that specifically exclude rural communities, but in the same way that in metro areas you have people who cannot put solar on their roof because they have no roof or they are in a building that is not suitable, in rural areas we have similar problems in that we have a lot of community buildings which are managed by volunteer committees. Those committees would love to put solar on the roof, and sometimes they are lovely big roofs—you could put quite a lot on—but that community building does not have an energy use that makes it worthwhile having a behind-the-meter system attached to it. But if that community building could set up its own community energy project, put a whole lot of solar PV on the roof and then sell that power at a good price to other people and businesses in that particular community, that would work really well for us.

But we cannot do that in Victoria. They can do it overseas, they can do it in New South Wales and the ACT but we cannot yet do that in Victoria. I think the Victorian Government is running a couple of trials at the moment, but from our organisation's point of view and our little community region's point of view, this would be a really good regulation that you could change.

The CHAIR — Thank you very much, Susan. With the Solar Hub program, what challenges did you encounter, and what lessons would you apply to a future community energy project?

Ms DAVIES — Do you mean our original Solar Hub program that we ran from Sustainability Victoria funding?

The CHAIR — Yes. Thank you.

Ms DAVIES — We learned an awful lot from that project. One of the lessons was how good it was to have Sustainability Victoria as a very focused organisation that had a lot of people in it at the time who really understood renewable energy. That was brilliant. They knew what they were talking about, and we have learned a lot from them, so that was fabulous. It was probably the quickest application process I have ever done in my life because everybody understood what each other was talking about.

I am by nature very risk averse, and there were risks for us in that process. We did learn a lot from the fact that our main corporate partner went into receivership. We had considered that sort of possibility, because we understood how volatile the industry was, but we have developed a lot more policies and a lot more discussion around that since that process. That was an important lesson for us. We were a very new organisation at that time.

I think it was a very worthwhile process. We did learn what an appetite there was in our community and that if we could address the confusions that people had, if we could give them good-quality information, then they would make the decision. That was huge. At the time solar was new, so there was a huge amount of information coming in from a lot of different directions and a lot of shonky operators, I would have to say.

What we learned was that because we in our co-op were not primarily motivated by profit—because, you know, they knew where we all lived—if we gave people that good-quality information, they made good decisions and nobody lost out, even though it was a volatile time in the industry.

We are learning some lessons in relation to batteries, which are in the same sort of state now: there is a huge public interest in batteries, but a lot of different advice is coming in from a lot of companies that have got an interest. So we know as an organisation that has lots of renewable energy nutters, to speak politely—but, you know, lots of people who really care about it—that we can provide people with good-quality information and we are interested in making sure that they are able to make good decisions.

So all of that stuff that we learned from Solar Hubs we are now applying to the concept of solar and batteries and beyond. There are other renewable energy projects and types that we would like to explore. But our group and the fact that we are what we are—focused ethically—can give people good information, but we would like some help too; we are small.

Ms RYALL — Just so I understand, are you predominantly an information service?

Ms DAVIES — No, we are not.

Ms RYALL — You have not run any...

Ms DAVIES — Yes, we have. That is the Solar Hub.

Ms RYALL — No, in terms of the actual renewable projects as such—at this point. I am just understanding, just from my reading of your submission.

Ms DAVIES — We ran the Solar Hub program between 2010 and 2013, and we facilitated the 650 kilowatts.

Ms RYALL — What was the facilitation?

Ms DAVIES — We gave people the information. We had the partnership with the corporates. We networked. We did all that networking. That previous speaker, when he was talking about the fact that he would like to partner with community groups to develop their wind projects, we are the sort of organisation that he is talking about.

Ms RYALL — Okay. I was just trying to understand that in terms of facilitate, connect, provide information —

Ms DAVIES — Yes. We are the connection with the community.

Ms RYALL — not the actual putting together of a project and running it...

Ms DAVIES — We do both.

Ms RYALL — such as a wind project or a solar project.

Ms DAVIES — We are doing that at the moment. We want to do both.

Mrs FYFFE — So you are actually establishing a solar farm?

Ms DAVIES — Yes. Since we established in 2009 we have been exploring how to do just this, but the regulations in Victoria, and previous governments, have not been very friendly towards the process. Governments now and the regulations now and the timing now are coming much closer. We have a project developed.

Ms RYALL — What is the project?

Ms DAVIES — That we are developing at the moment?

Ms RYALL — Yes.

Ms DAVIES — We called it Old Energy, New Energy. The idea is that we are partnering with Parks Victoria and we will put a considerable amount of solar power and batteries on at the state coalmine, Wonthaggi. We will own those.

Ms RYALL — Batteries?

Ms DAVIES — The batteries and the panels. Parks Victoria will pay us for the power that is generated. That income will be used by the co-op to help sustain our organisational costs, which are pretty minor, but most of it will go to a fund we are calling the Southern CORE Fund, which will buy low-interest loans and donations and fund various community-owned energy projects across our region.

Ms RYALL — So in terms of the batteries that will be used, that is still in its early days. So how far away are you from implementing?

Ms DAVIES — We need a capital injection from the state government, quite frankly.

Ms RYALL — Okay. So you are seeking to own the infrastructure, not Parks Victoria? Is that right?

Ms DAVIES — Yes, we are.

Ms RYALL — So it could be a fair way away?

Ms DAVIES — There are two parts to this. It is a much bigger project than that. We have a broader business plan that really does make us a community powerhouse and has a much broader level. But the first level is generating some income for the co-op so that we then have the capacity to support all the other little groups around the place with both our knowledge and our processes and also with some money to help them establish their own community energy projects.

Ms RYALL — Sorry, I was just getting my head around the service that you provide in terms of information, connection and so forth, and therefore what you have provided is based on that and not the implementation and capital infrastructure for a major project.

Ms DAVIES — Yes, we want to build as well.

Ms RYALL — Yes, but not at this point.

Ms DAVIES — No, we are developing.

Ms RYALL — That is where I am coming from. I just needed clarity. Thank you.

Mrs FYFFE — Just following on from what Dee was saying and your answer, how is your organisation funded; is that member contributions or grants or council?

Ms DAVIES — A bit of lick and spit, really. We are established as a cooperative. We have 340 shareholders. They pay \$1 per share. We have 98 financial members at the moment—it goes up and down — who pay an annual fee.

Mrs FYFFE — What is the annual fee?

Ms DAVIES — It is \$15.

Mrs FYFFE — Covers the postage.

Ms DAVIES — Like I said, we come from a poor community. Postage is something we can afford to do a mail out once a year. We have some funding from philanthropic organisations. We have had some very minor amounts of funding from local government, and we apply for grants, but as I said, that is...

Mrs FYFFE — Have you been successful with the grants?

Ms DAVIES — In the early years, in that time when we were working with Sustainability Victoria, we had two lots of significant grants, which were the Solar Hub and Climate Communities grants, but since then we have not; we have just been operating on mostly volunteer work.

Mrs FYFFE — So you are all volunteers?

Ms DAVIES — Yes. We have no paid staff. That was one of the other points that I would like to make. It is very hard for a group such as us when we do apply for grants. Part of our grants is usually to get some sort of facilitation staff, and to be told, ‘Well, perhaps you can do it more with volunteers’—when you are told that by very well-paid public servants, it is really quite difficult to deal with sometimes. There needs to be a recognition. We look at Moreland, for example, as being metal. It is sort of the gold standard of community powerhouses, if you like. But they are really lucky—they have got a core of \$5 million in the middle that started them off...

Mrs FYFFE — Very different.

Ms DAVIES — and so they are able to have some ongoing paid staff. And our Southern CORE Fund that we want to develop, the intention of that fund is to be a perpetual, revolving fund so that we do develop more capacity to fund ourselves but also support the groups within our community rather than all the time looking for the next grant. We would like our own fund that we keep that we can support our community.

Mrs FYFFE — So if the Government used some of the Sustainability Fund to provide expertise so that organisations like yourselves would have someone to refer to and advise you in making applications, when you do have a project up, in the actual technical knowledge; would that be of great assistance, if there was a pool from the Government?

Ms DAVIES — Not really. We are already part of broader networks. We liaise with the Victorian Community Solar Alliance, we liaise with the Community Power Agency and the C4CE movement. There is a lot of information and expertise. What we need is some capital to enable us to get our project up, and once our project is up, the way we have developed it, it will give us ongoing income.

Mrs FYFFE — Terrific. If I could—Chair, if you do not mind—just follow up. The new feed-in tariffs that the Government has recently announced—how do you expect these tariffs will affect community energy projects?

Ms DAVIES — I do not know if there is a new one that has just been announced...

Mrs FYFFE — Recently.

Ms DAVIES — but as far as I know, at the moment you get 5 cents a kilowatt hour for any power that you send back into the grid. We find that pathetic and inadequate. What I argued before—and if you want to have a look at that, that is fine...

Mrs FYFFE — Would you like us to photocopy it?

Ms DAVIES — No, there are enough copies for you. It is really important, I think, that the additional value provided by renewable energy is acknowledged and paid for in the feed-in tariff, because otherwise it is unfair; there is unfair competition. We are not poisoning people in the Latrobe Valley; we are aiming to generate clean electricity, which will keep producing power for a very low additional cost, and it would be of great assistance if there was a feed-in tariff that acknowledged that benefit.

One of the things that that submission talks about is that at the moment, when there is a spike—so the Essential Services Commission is talking about paying electricity at different levels, so there is off-peak, shoulder, peak and then critical peak levels. At the moment, when we hit those critical peak levels of power usage, everybody who is currently producing that power gets paid this exorbitantly high, very generous amount for their power, because we need it. I suggested to the Essential Services Commission that that was actually a subsidy to dirty coal-fired power because it is not costing them any more at that critical peak to produce their power. If you did have that critical peak of power just paid for the new generation that came on at that critical peak time, then you would be really providing an incentive for people to sell their power back into the grid by not using it themselves, by switching on new generation capacity.

That is one of the ways where you could pay—you would be paying a premium for the power because the demand is there, so the market is operating, but you are not subsidising people who you should not be subsidising, as in the coal-fired power generators.

Ms RYALL — Chair, could I just pick up on something that Christine referred to? In terms of the feed-in tariffs—and you mentioned giving a bit more in that instance—one of the issues around feed-in tariffs is that people who have been able to afford solar panels, certainly in the early days and even later, were on larger tariffs and so forth, and they have been reduced. One of the issues is: equity to people in other parts of Victoria and across Victoria who cannot afford to put that infrastructure on their roofs. You end up with an inequity, if you like, between those who are, say, part of your group and benefiting, and those in other areas who are not and are actually paying more for their power. How do you balance that?

Ms DAVIES — I think that is a slightly inaccurate way of putting it. I mean, there was certainly in the early days with the premium feed-in tariff—that was a really generous subsidy, right? I get the premium feed-in tariff. But at the time panels were incredibly expensive. It cost \$8000 to put a kilowatt on your roof. So the idea of the premium feed-in tariff was that it made it affordable for somebody like me.

Ms RYALL — It is more now that it has been reduced.

Ms DAVIES — Now we only have the very low feed-in tariff, but actually solar panels are really quite cheap, so you do not need that subsidy anymore, and none of us would argue to go back to that subsidy. But at the moment you are creating an inequity that we could, in fact, redress if you allowed what I talked about before, which was this virtual net metering or solar gardens or whatever you want to call it. So yes, there are people who cannot buy solar panels and put them on the roof because they either cannot afford it...

Ms RYALL — Or access community projects.

Ms DAVIES — or they do not have a roof. But if you establish a community-owned energy project, then you can make it affordable for people. If we...

Ms RYALL — It is more the ones that do not have access to them versus the ones that do.

Ms DAVIES — But if you make a community-owned energy project, then it is possible to make it affordable for a great many more people than it is affordable for now, because they might invest a relatively small amount of money and still be able to access some renewable energy at a reduced price. So whilst we could not—if people have no money to invest at all, then they might have difficulty, but our model...

Ms RYALL — That is a vast number of people.

Ms DAVIES — Well, our model is a donation model, for example, so it is asking people to donate funds towards a community-owned energy project. So you are asking for donations from people who can afford it, and the benefits of that particular project would go to people whether they can afford to participate directly themselves or not. So if we have, say, a neighbourhood house, it does not have a lot of capital, and it helps a lot of people on very low incomes. If we were able to give a no-interest loan and potentially some donation to help that neighbourhood house put solar panels on its roof, then that particular neighbourhood house would have money that they previously gave to a multinational electricity retailer; they would have additional money to be able to use to assist the people that they assist who are low-income people. So those very low-income people, who may have no money to invest at all, would feel an economic benefit from what we had been able to do by putting a community-owned energy generator on their roof.

Mr NARDELLA — How have you been able to work in with councils in your local area? I mean, as you said, there are very dissipated communities and very poor councils. That is what you have said. Are they willing to work in with you and your cooperative? Are there ways where you can collaborate or have collaborated that have benefited your communities?

Ms DAVIES — We do. They are really important. You can pick on councils all you like...

Mr NARDELLA — I was not picking on councils.

Ms DAVIES — but they are the only body that actually has fingers in every little part of every little community. When we first started operating, the most support they could give us was a letter of support for our projects. Their financial support now is very wincing, but it is there, and we have a working group that has the councils represented on it as well. Now we have just had council elections, so we have to start again and go and talk to our councillors again. It goes up and down and in and out. But we recognise that they are an essential

part of our project development and they support what we are doing, and it is some of their roofs that we would like to put some of these small community energy projects on.

Mr MELHEM — While we are talking about collaboration with council, if we take it to the next level, and I think you have covered that in your submission, what sort of collaboration do you reckon the State Government can do—in collaborating with community energy groups et cetera—and what role do you see for the State Government?

Ms DAVIES — Like I said before, we would really like more collaborative project development. Now, our Chair, who was going to come today and could not because we shifted the times, has been doing a PhD on this stuff, so it is her thing, but there are ways to develop projects collaboratively. We fully accept that governments have objectives that they need to meet, and we want the government to fully accept that we have local priorities that we want to meet. And we reckon that if we could talk more collaboratively and develop the project together, that would make us all stronger.

At the moment, with this sort of focus on competitive grant rounds, it is incredibly demanding and incredibly time consuming. Some groups seem to be really good at it, some groups have councils or richer communities and can bring in a whole lot of extra dollars, and some groups in communities like ours—we have a lot of trouble bringing in extra dollars, so we always have a lot of trouble meeting these sometimes very vaguely assessed sorts of requirements from government, and we would prefer a more collaborative rather than competitive approach.

We really believe that if government—and I used to do this. If you tried to give dot points of where the money has gone in Victoria, our area consistently seems to miss out. It needs to be mapped, and it needs to be something that government is aware of. If you did fund, like you do Landcare, regional facilitation that is based around these pre-existing networks and community groups and encouraged them to work with other groups—we have an MOU with other groups that we work with; we do collaborate. If government was able to support that, you would get huge value for money out of the volunteer effort that we are able to pull in. We do not need—we have gone looking for the experts and we have got experts, and we are working with other groups across Australia and are learning from them, but what we do need is that basic resource. Just competitive grant rounds all the time is very depressing.

The CHAIR — If there are no further questions, on behalf of the Committee I would like to thank you.

Ms DAVIES — Thank you. We do really want to register our appreciation to the Victorian Government for the work that it is doing. It is great.

Witness withdrew.