

CORRECTED VERSION

ECONOMIC, EDUCATION, JOBS AND SKILLS COMMITTEE

Inquiry into community energy projects

Melbourne — 24 October 2016

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Mr Tosh Szatow, Director and Co-founder, Energy for the People.

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. We will provide a proof version of the Hansard transcript so you can correct any typographical errors. I invite you to make an opening statement and then allow us to ask you some questions.

Mr SZATOW — I am happy to go straight into the questions.

The CHAIR — Straight to the questions? Thank you very much. First of all, can you state your name, and then explain how the People's Solar works and provide some examples of projects?

Mr SZATOW — I am Tosh Szatow, Director and Co-founder of Energy for the People. The People's Solar is a crowdfunding platform for solar projects. Basically if someone wants to raise money to install solar panels, they can raise that money online through our website system, and they can also raise money through events and face-to-face activities in sort of traditional fundraising. I guess the way it works is that we get those projects to commit to spending the energy savings back into the community in some way, and that is their pitch, I guess, to the community in order to raise funds. We have raised about \$250 000 to date using that system over two years, and that has doubled every six months.

Recent projects were with the Abbotsford Convent. They raised about \$60 000 online and got \$60 000 match funding from a corporate partner. They were able to fund a 100-kilowatt solar system. We also did a project at Footscray Community Arts, where they raised about \$20 000 online. They got match funded with \$30 000 from a corporate partner, and then I think they got additional match funding from one philanthropic partner and also I think a federal government grant to build a \$100 000 budget for a solar storage and lighting system.

Ms RYALL — So essentially you organise crowdfunding or bring partners and parties together to help fund that? That is essentially the model of your enterprise?

Mr SZATOW — Yes, essentially. Some people donate purely as a gift. With some projects there is a reward for people who give money. So for the Abbotsford Convent some of the organisations and some of the people that run, for example, yoga classes or art studios—those sorts of things—were able to offer up rewards for people that give. That helps drive the fundraising.

Ms RYALL — As far as participating in community projects as such, that is not the part that you do—it is just related to the funding site?

Mr SZATOW — I guess, yes, we run the website, but we help those projects develop and execute their plans. We help with the fundraising, we help develop the strategy and communication material, we do an energy assessment to make sure they get the right sized solar system and energy efficiency alongside that if that is relevant—it is a full kind of service.

Ms RYALL — And do they pay for that or does that come out of the amount that is fundraised?

Mr SZATOW — We have been evolving it. We basically started as a thing to do with communities, not to raise money. For the first few projects we just supported them in kind. Where we will probably end up going is having a mix of a percentage of the amount of funds raised will come to us. Then we also get a small sales commission from the solar company that installs the project, and that helps cover the costs of what we do.

Ms RYALL — So crowdfunded, corporate donors and grants where possible. You get your money from a percentage of raised funds commissioned from the providers, whether it is insulation or solar or whatever it might be.

Mr SZATOW — Exactly, yes.

Mr CRISP — We are looking at, I suppose, the different sorts of models. So what are the best models to enable a project to go ahead and to strive to be self-funded?

Mr SZATOW — What are the best models? I guess the best models are models that can replicate and be sustainable in every sense: financially and socially sustainable. I think one of the tricky areas for community and dual community solar is where it may compete with, say, a commercial entity. For example, if you were doing a community solar project and you are raising money off people who are putting that money in as an investment and you have given them a financial return, you are competing with the solar finance market more generally. So it can be quite difficult to compete on price in that market, but obviously offering different complementary benefits around community engagement and community participation and localising revenue. It is hard to say if there is one best model.

Mr CRISP — In your submission you talked about cooperatives, mutuals, social enterprise, community ownerships. In your experience, because this tends to be a rapidly moving feast, what are the pluses and minuses with those and where do you think it is going to settle in the near future?

Mr SZATOW — I think it could take a while to settle. I suppose our personal bias is heading towards social enterprise. The thing with these types of projects is you need to strike a balance between the kind of efficiency and discipline that comes with being commercial but the kind of community and social sensibility that comes with being a community organisation, plus a social enterprise that strikes the right balance between those two things. But, yes, I certainly would not say that is a foregone conclusion; that that is the way it will go and that is the way it should go. There is a lot of grey area in there.

Mr MELHEM — Tosh, what lessons can other communities learn from your negotiations to set up a partnership agreement between Powercor and the town of Newstead? From my understanding you have been involved in that.

Mr SZATOW — At this stage those negotiations are still ongoing. We do not have a definitive answer that we can draw from that at this stage. But I think probably the thing to draw from that experience is that where possible communities should be engaging with their local network service provider pretty early on in projects. I think we have seen from time to time communities have gone off and developed a feasibility plan or a project plan without doing that engagement up-front. Then when they take the plan to the network company, they have found it difficult to implement the project. So I guess the thing we can take away is if you bring the network business in early, they can be part of developing the concept business plan and that should give it more chance to succeed. But I suppose time will tell if that works for this. We are certainly hopeful.

Mr MELHEM — Following on from that, the St Kilda Community Housing project is another project your organisation was involved in. Again, what is the learning from that and what sorts of barriers did you need to overcome to basically achieve that? From that, as well, what advice would you give the Committee or the Government or other community projects or people who actually want to start a new project?

Mr SZATOW — Yes, sure. With community housing providers a big barrier is that their primary function, if you like, is to provide housing. It is not doing energy assessments, it is not investing in energy, so there is often a capability gap that they have got around energy projects. There is often a funding gap as well. They do not often have budgets set aside to do an energy project. One of the ways we have been able to address that is just by tweaking our consulting model. We can actually do the up-front work for them for free to help them understand the business case for energy upgrades, and then get paid by suppliers if and when they choose to ultimately invest. That deals with that kind of capability and funding gap that they have got.

The other big things are that they do not always pay the energy bills for tenants. They sometimes do, but they often do not, so that is an obvious barrier. I think where there is scope to add a lot of value in that space is for government to make it easier for those providers to essentially become the energy supplier to tenants. There are constraints in the Residential Tenancies Act that make it difficult for those providers to recover the costs of energy from their tenants should they actually be the energy supply. If that was

addressed and they became energy supplier for their tenants, they would have a very strong incentive to invest and reduce their own costs, and cost production would obviously pass through to tenants but also to the government's bottom line in terms of reduced concession cost.

In the project we did with St Kilda Community Housing, which might be the one you are referring to, they do pay the costs of energy for all their tenants. That is uniquely the way they set up. I think they reduced their energy costs by about \$100 000 a year, which probably means State Government saves on concessions something like \$20 000-odd a year. They are a very small housing provider in the market. They manage 350-odd tenancies. But if you multiply that out across the sector, there is several million dollars, if not more, of savings to the Government bottom line from those projects.

Mr CRISP — Building on some of my previous question about some of the issues in getting this project off the ground, based on your work with Newstead and Tyalgum, what were the main challenges those towns faced in becoming 100 per cent renewable, and is there a role for governments in that process?

Mr SZATOW — My belief is that the engineering and technical and even economic challenges are very solvable, and they just take a bit of time to work through. But the biggest challenge is a social one, and that is building strong, broad support for these projects across these communities. One thing we find is that sometimes these projects are conceived purely in environmental terms, and obviously we are a diverse society in Australia and not everyone is primarily motivated by environmental concerns. So sometimes those projects struggle to develop because they are only attracting people that care about the environment first and foremost. One of the things that Tyalgum and Newstead have done very well is engage more broadly with their community and looked at the financial benefits of these projects to the community and the social benefits, and that has helped build broad support.

In terms of what government can do, I suppose it is just being cognisant of applying funding efficiently. I think one of the things we said in our submission is that we would like to focus on developing what we call platform solutions, develop a solution that can apply across many projects, rather than trying to tackle projects on an individual basis through feasibility studies or an individual plan for this community. Let us develop a platform solution that actually works across multiple communities. By platform I mean something like the People Solar's platform. It is a system, it has got a mix of online components and other things, but it is a system that makes it very easy to replicate these projects. The platform itself has a model built into it that supports the development and execution of those projects over time.

Mr CRISP — How long did it take Newstead and Tyalgum to get through those social issues?

Mr SZATOW — It is an ongoing concern, I suppose. It is something that they are always having to be mindful of, but I think it takes at least a good couple of years for groups like that to develop the kinds of credibility and relationships in their community to have a secure footing. I think Tyalgum has that now. They are going to start rolling out a solution over the coming months. Certainly Newstead has got a long history of doing these kinds of things as a community, so they probably came out with more of a base already in place.

Mr MELHEM — We have still got a bit of time. I just want to take you to new housing developments. With new housing developments, what sort of opportunity could that present for community renewable energy projects? If you are designing everything within a greenfield, brand-new site — your dream outcome — could you take us through what your view is on that and what sorts of opportunities might be out there.

Mr SZATOW — Yes, there is a great opportunity in greenfield housing. If I take an extreme view, say, in 15 or 20 years energy is going to be close to free. You will get a house, it will come with solar panels or it will probably come with battery storage. It will certainly come with electric vehicle charging. All that infrastructure cost is just going to be built into the house. You are basically not going to notice it in terms of your mortgage. Certainly the energy savings are going to be much greater than your mortgage costs, so I think in greenfield housing we are moving to that point where people are essentially paying nothing for

energy, and I suppose one of the issues for that is around the grid and who owns and manages the grid, and what is in it for them. I think that is probably another whole conversation.

Mr MELHEM — But with that, you will still need the grid. You cannot do one without the other. Over the next 50 years you are not going to go totally to renewable energy. You still need it for the grid.

Mr SZATOW — I think it is certainly fair, certainly within 15 years but maybe sooner, for individual homes to be 100 per cent self-sufficient, and for that to actually be a cheaper, better, more efficient outcome than connecting up to a grid. So that is individual houses, in a greenfield site, completely independent from the grid. Because once you have control of the design of the house and how you fit it out, it is very easy to reduce energy demand, to supply the energy you need very efficiently and really bring down the costs of being 100 per cent self-sufficient.

I think the other thing that is being underestimated in that is the ability for electric cars to supply energy to an off-grid house. A lot of people are talking about electric vehicles increasing demand for energy on the grid, which they will, but the way the trend is going in America is that people are charging their cars at supermarkets, and when they go to work in the city they plug in their car and charge it. I will give you an example: the Tesla vehicle at the moment, which is obviously getting a lot of attention, has got a 500 or 600-kilometre range, which is going to become pretty standard. There are about 80-kilowatt hours of energy in that car. For the average house that could be easily four to five days' worth of energy supply.

So if you are commuting to work 20 kilometres each way or 30 or 50 kilometres each way, you are coming home with multiple days of energy still left in your car. If you are able to plug that in at your place of work to charge it up or charge it up at the supermarket while you shop, you are coming home with a huge amount of energy. I think there is a lot of potential for that to become a mobile grid; there is mobile grid backup.

Ms RYALL — But ultimately you have to pay.

Mr SZATOW — Ultimately you have to pay, so I think what you would see is that electric vehicles will increase demand for electricity but probably increase demand for electricity in cities and industrial areas and commercial areas. In terms of the suburbs, regional communities, that is probably not going to be where people are going to charge their cars. They could actually be using those vehicles to supply energy to the home.

I guess the way we think about the grid transition is that we are kind of building the grid backwards, right. So the further out you go from the grid, basically those homes and businesses start to become self-sufficient and even off grid, and that wave of change will hit a certain point until the energy demand is so great, whether it is in cities or industrial centres, it cannot be supplied purely through solar panels to the roof or batteries in the basement.

Mr MELHEM — Just one last question. Let us say we get to a 50 per cent target for renewable energy and let us say it is largely through community energy programs. What pressure could that actually put on the industrial sector, which will still need your baseload power, and that could increase the cost of producing electricity for that particular sector? It may or may not, I am just asking. Have you got any view on that?

Mr SZATOW — Yes, I certainly do. The way our grid works at the moment is that the cities and industrial consumers—it obviously varies, but as a rule—cross-subsidise the regional consumers, the people that are on long distribution lines that are off into the distance. That infrastructure costs them money to build, maintain and support. So actually if we move to more self-sufficient regional and kind of fringe-of-grid type—if those sorts of communities become more sufficient and even leave the grid as communities or as individuals, that should actually reduce the cost of supply to cities and to industrial customers, because the network companies are not having to cross-subsidise those long lines out to the regions. I think in an ideal world if that transition of the network is well managed, you will see savings to industrial and city customers.

The CHAIR — Mr Szatow, on behalf of the Committee I would like to thank you for your contribution. Thank you very much.

Mr SZATOW — Thank you.

Witness withdrew.