

# CORRECTED VERSION

## ECONOMIC, EDUCATION, JOBS AND SKILLS COMMITTEE

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

Melbourne — 24 October 2016

#### Members

Mr Nazih Elasmar — Chair

Ms Dee Ryall — Deputy Chair

Mr Jeff Bourman

Mr Peter Crisp

Mrs Christine Fyffe

Mr Cesar Melhem

Mr Don Nardella

#### Witnesses

Mr Gavin Ashley, Principal, Sustainable Energy and Urban Development, and

Mr Manny Pasqualini, Renewables Broker, Moreland Energy Foundation Limited.

**The CHAIR** — Allow me to read this process for you. 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. I would like to invite you to make an opening statement. The Committee also has a number of questions for you. Just state your name before you start.

**Mr ASHLEY** — My name is Gavin Ashley. I am a principal at Moreland Energy Foundation in sustainable energy and urban development. I am here with...

**Mr PASQUALINI** — My name is Manny Pasqualini. I work specifically on community-based, medium-scale renewable energy.

**Mr ASHLEY** — Firstly on behalf of Moreland Energy Foundation—if I say MEFL, that is our acronym, so forgive me for that—I want to thank you for the opportunity to speak with you today. It is an important area of development in the energy space and it is one that we are very excited about. Very briefly, about MEFL in terms of an organisation, we are a not-for-profit company limited by guarantee, and we were born out of a process whereby in the late 1990s councils were asked to amalgamate and sell trading businesses. Brunswick owned an electricity supply and retail arm, which was sold, and money was set aside to set up us as a foundation with the express purpose of assisting the community in energy efficiency and renewable energy. Over time that has translated into an organisation of about 20 people. We run a local strategy for the City of Moreland, which has got an ambitious target of 22 per cent emissions reduction by 2020. We also run a social enterprise called Positive Charge, which is a subscription service for other councils in order to provide community-facing renewable energy and energy efficiency advice.

We have had a strong history of focus on delivery. That has extended across the low-income sphere assisting a range of households in energy efficiency retrofits and renewable energy on site. We are really excited about the promise that is in the community energy space in that it bridges that gap between small-scale, on-site activities and the utility scale energy generation that is quite prevalent in Victoria and other parts of Australia. We have got this shared commitment with Coalition for Community Energy, which we are a member of. We are also a member of the Northern Alliance for Greenhouse Action, which you will be hearing from soon, and we are a member of the Victorian Community Solar Alliance.

We see the community energy industry as just needing a little bit of support across a range of mechanisms. The first of these is technical and legal support. Community energy groups are short on time, and they need support around technical ability that they do not have in house and legal support around governance frameworks. We also see a role for the State Government in the provision of business model development support. We see an opportunity for a specific target for community energy in order that they be afforded the chance to be a part of the energy transition. There are some added costs that go with being in that mid range, which are a current barrier to community energy projects.

We also see the great benefit of community energy across the social, economic and environmental spheres as being able to be harnessed at this particular time. We have grown from a position in Victoria with relatively few community groups to approximately 27 over the last few years, so the interest in getting things done is palpable, and there is a real role for the State Government in providing some assistance to make sure everyone benefits from that transition.

**The CHAIR** — Would you like to add anything, Mr Pasqualini?

**Mr PASQUALINI** — Sure, yes. I guess I would just like to add to that last point that Gavin mentioned around the number of groups in Victoria rising very quickly. Victoria was of course an early leader in community energy, helping Hepburn Wind get their project going and inspiring a whole lot of other local community solar groups and other forms of renewable energy groups to develop their projects. There was, I think, a bit of a stalling of that process, and during that time you saw a New South Wales government introduce a targeted policy mechanism to stimulate community energy in New South Wales, which was very successful. There are 30-plus groups in New South Wales, and quite a few of the innovative models that we are now seeing groups adopting across the country and also in other parts of the world have come out of that process in New South Wales.

I see Victoria as having a very strong opportunity to take back its place at the top of the community energy tree in a way, because there are just so many groups wanting to do projects down here. There are some very strong organisations, like Moreland Energy Foundation and others, that have a long history of supporting local community groups, working with local councils and engaging with the business sector. First of all, there have been some strong steps by the Victorian Government over the last 12 months to support community energy. The first round of funding from the New Energy Jobs Fund has gone out to several community energy groups for them to develop their models and feasibility studies, and that is a really positive step. I think there is quite a good response to that from the broader community at the moment. But what is missing is just a couple of key policies or mechanisms to further stimulate and add to the good work that is being done by groups and by other stakeholders—namely, a financial mechanism.

We have heard about a community feed-in tariff. That seems to be a fairly simple and common way of stimulating these kinds of projects around the world—obviously only available to community energy projects that satisfy a list of requirements. Another important thing that the Victorian Government could do is to provide some support for organisations that are essentially doing a lot of pro bono work at the moment, trying to support these community energy groups to deliver their projects. Moreland Energy Foundation provides a lot of support. Most of it is pro bono support at our own cost to groups like the Victorian Community Solar Alliance. We have been hosting meetings of theirs, just providing them with some access to office space. We provide advice where we can, but there are some areas where we just do not have the expertise—legals and some other key areas that groups are needing to access.

I think one easy way to do this is to provide some backbone support to the support organisations themselves, and I think what that will do is help to relieve the situation that we are seeing at the moment, which is in effect a bottleneck. We have so many community energy groups looking to implement projects, so there is a real demand for the kinds of services that they need. They do not always have the financial means to seek those services and support organisations do not always have the capacity to provide that support pro bono or at a very discounted community rate.

**The CHAIR** — Thank you for that. We will start our questions. Which programs—I am talking about Moreland Energy Foundation Limited—have been the most effective at engaging the community energy sector and what lessons can other metropolitan areas learn from your experience?

**Mr ASHLEY** — We have got a history coming on 17 years now of delivering on the ground projects with the community. I think probably to pick up on Nicky's example earlier on in telling you a bit about the Darebin Solar Savers project is probably a good one to highlight. Effectively Darebin City Council recognised a need in their pensioner population, that they were potentially asset rich but income poor—their mortgages were all done with—so the only way for them to access solar was through savings or through borrowing a personal loan that would attract an interest rate of 7 per cent, 8 per cent-plus, probably a bit more, but probably a bit lower now. What they did was run a process to go out to the pensioner community, and we project managed that program for them that saw 300 pensioners get a couple of kilowatts of solar on their roof and pay it back through a rates mechanism. Our role was to play the honest broker, if you like. We would engage with the resident, talk them through the fundamentals of the contract and the idea was that at the same time we would check their bills to make sure that over a 10-year period those residents would be cash-flow positive through purchasing the solar and paying it back through their rates.

There is opportunity to undertake a couple of small tweaks to the Local Government Act, which would facilitate that in other local government areas. One of them is to allow the finance to sit off balance sheet for the local government. The other is to tweak the notice period for that special levy that would apply. If you are happy for me to provide some guidance on that, I can follow up on that point.

**The CHAIR** — Thank you.

**Ms RYALL** — How do you see reliance on, if you like, the non-renewable grid for down periods, using the South Australian example of recent times? It is more like: what would be the percentage of backup required for people in the Moreland project, or if it were part of that, on the existing energy network, if you like?

**Mr ASHLEY** — Do you mean: what would be the requirement of base load?

**Ms RYALL** — Yes. What would they currently be drawing, and if there were circumstances such as floods, significant rain or wind or things that might actually...

**Mr NARDELLA** — Powerlines falling over.

**Ms RYALL** — Yes, powerlines falling over—things that actually put pressure on the service that is being provided through that. I am more thinking: what would they need to draw? What might the costs associated with that be in that instance? And therefore, what do you think is required to be maintained?

**Mr ASHLEY** — I will start, then maybe hand over to Manny. I think fundamentally there is a need to maybe separate those two discussions in a way. One of them is a grid security and reliability issue. That is largely agnostic of the power supplied to it. So if the wires got cut on the way to the Latrobe Valley, the state of Victoria would be in trouble, especially if our integration with other states was to also go down. But I think what I would say is that through the distribution of energy generation there is actually an opportunity to reduce that risk, because if you think about the way the energy network works, if you have got multiple, multiple inputs into a system and one of the wires to the big inputs goes down, then the rest of the grid infrastructure is able to rely on those other inputs into the network.

**Ms RYALL** — It is less if the pipe from, say, the Latrobe Valley is cut; it is more if something impacted a community energy facility, if you like, or service.

**Mr CRISP** — A cloudy week?

**Ms RYALL** — Yes, or for any reason whatsoever. The draw on the traditional grid or traditional energy sources, what would that need to be in order to be maintained to make sure that there is no cut to energy service provision to households, so that draw, if you like, and that maintenance of emergency supplies?

**Mr ASHLEY** — The community energy input into the system would always be a value add to the network. And just like at night when the sun is not shining and that solar array on the top of an industrial shed, for example, is not producing, you would have the same ramification during that period as it would be if it was a cloudy week. So those periods of intermittency...

**Ms RYALL** — I am more thinking severe conditions or severe circumstances as opposed to just the sun not shining.

**Mr ASHLEY** — Do you want to pick it up? I do not know if I am understanding the question.

**Mr PASQUALINI** — I am not an energy network specialist or anything like that, but what I do know is that community projects have an array of motivations for being there. So, for example, if you take the local IGA in Brunswick, they hopefully decide in the future to do a community energy project. Their reason for this is to increase their contacts and their connection with the local community, and they would be looking to displace a certain percentage of their power that they draw from the grid—it is still grid connected—but, say, they get a solar system that provides 20 or 30 per cent of that. That is a start for them. It is a connection to the local community, but they are not talking about going off grid. In the metro area, with the kind of projects we deal with, not many of them are talking about going off grid.

**Ms RYALL** — Forgive me if I have not explained myself properly, and others might like to say something if they have interpreted what I have been asking. If there were certain weather or significant conditions that compromised the energy security of the community network, what would be the draw on the normal base load, and therefore would you expect that there would be increased costs associated with that?

**Mr ASHLEY** — I would not expect that there would be increased costs. You would just get an increase in energy flowing to that community project than would otherwise be the case. For the period of it being down it would be as if it had not commenced in the first place, and the electricity grid has quite a lot of fat in security and reliability to cater for that.

**Ms RYALL** — Yes, it does. I am more thinking of costs.

**Mr ASHLEY** — And unless you are disconnected from the grid, the risk there is non-existent.

**Mr CRISP** — I would like to talk about reducing peak demand, because in your submission you recommended enabling mechanisms to support renewable energy investment and to reduce peak demand and promote a network benefit. What kinds of mechanisms would achieve that?

**Mr ASHLEY** — I will start and then hand over to Manny. Fundamentally we have got this electricity grid that during certain times of day in certain areas needs help—it could really use the stimulus that a solar project, for example, would provide. If the process of site selection could be really well informed by the network operators for areas of network constraint at particular times of the day, say it is 5 or 6 o'clock on a summer afternoon in a particular part of the network, what that can do is it can offset the augmentation that would otherwise be required in that part of the network by strategically injecting solar electricity, for example, into that place. What that might look like on the ground is that network providers might publicise increased levels of data and information about areas that could benefit from that sort of investment. Community groups could respond by highlighting those areas in their site selection processes, and they might also respond by having half of their solar face west so it coincided more with that 5 or 6 o'clock peak in summer.

**Mrs FYFFE** — You can take this on notice because perhaps you do not have the information. I am just interested in what was the cost to Moreland City Council in setting up this body, and what is their recurrent expenditure?

**Mr ASHLEY** — I know what their recurrent expenditure is. I do not know the original cost.

**Mrs FYFFE** — So what is their annual expenditure?

**Mr ASHLEY** — For delivering the core service that we provide to Moreland, it is about \$600 000 a year, but that is a figure that keeps the lights on, allows for advocacy beyond our borders and those sorts of functions.

**Mrs FYFFE** — It does not cover or it does?

**Mr ASHLEY** — No, it does.

**Mrs FYFFE** — Because Moreland is involved with other councils?

**Mr ASHLEY** — That is it, and we take a leadership role that has got some cross-ramifications. Probably the more reasonable figure is the service that we offer to other councils. For example, we offer a \$10 000 or \$12 000 service. I think it is \$10 000 or \$12 000; I am not the manager.

**Mrs FYFFE** — Other councils pay the \$10 000 or \$12 000?

**Mr ASHLEY** — Yes, to us. What that allows us to do is provide independent renewable energy and energy efficiency advice to individual households and businesses, Then we run programs like solar bulk buys or business health checks on top of that service provision that are outside that core service. We are able to do a bit more in Moreland and also amplify that benefit beyond the border. But if that gives you an idea of range...

**Mrs FYFFE** — So the \$600 000 covers salary costs, office costs and all the overhead costs? Or is that just direct costs that you are aware of?

**Mr ASHLEY** — We have got an MOU with Moreland City Council, and as a result of us existing they do not have the department at the actual council. It has fewer responsibilities, if you like, than they otherwise would because we undertake those services for them. The \$600 000 would pay for our CEO, a contribution to operating costs, advocacy, events and local initiation of the strategy so managed roles sit under the zero carbon evolution strategy; there are probably about 2.5 FTEs sitting within that envelope to drive the local strategy, which is ambitious and needs that sort of support. Other councils might, for example, use our positive charge service—the subscription service I spoke about—but have those sorts of roles within their sustainability departments as well to sort of balance that out.

**Mr CRISP** — The Community Powerhouse model: what potential has that got and where is your organisation up to in promoting the hub or powerhouse model?

**Mr ASHLEY** — Do you want to start with this?

**Mr PASQUALINI** — Yes. I would like to say just around the potential, I honestly see community energy as having the potential to be the next Landcare. You are seeing groups from right across the country from diverse communities, diverse locations all working toward similar things from similar principles, and I think that is having a really good effect on those local communities. It is obviously strengthening local economies—all that kind of thing—and bringing people together. So I see the Community Powerhouse model as just being a really effective way of helping to coordinate those. There are going on 90 groups around the country now, which has risen a lot over the past couple of years. We will pass 100 groups developing models across the country quite soon.

I think what is needed there—in the same way that with Landcare what was needed was to empower the socially responsible, independent local groups in each region; it is a big country—is to actually coordinate and best help those local groups that they already have relationships with and have expanding networks with to deliver their projects. I think what would not be such an effective way to do it is to try and do it from a centralised position. So government departments looking to coordinate this process would be quite hard because you have got a range of communities, you have got a range of technologies, you have got an ever-evolving energy market with new products, with new regulatory barriers. It is a complex area. So communities on their own are doing their best and doing a great job in delivering projects. Governments are doing a really good job in facilitating the process. But on their own from those positions it is quite a hard thing to do, and I think you need to try and utilise the knowledge and the networks that you have around the country through something like Community Powerhouses.

**Mr ASHLEY** — All I would add to that is, as in the Landcare model, there is the ability to network between the individual groups and then to grow the strength of the model over time. So Coalition for Community Energy, MEFL and other organisations would be interested in providing input into a governance model that might work. If there is interest in pursuing the model, we would be happy to talk to you about what that model could look like to get the benefits of local but to match that with the idea of ensuring enough of a network such that there is no reinvention of the wheel at the local scale.

**The CHAIR** — Gavin and Manny, thank you. On behalf of the committee I would like to thank you for providing the evidence and for your contribution.

**Mr ASHLEY** — Thanks for the opportunity.

**Witnesses withdrew.**