

# CORRECTED VERSION

## ECONOMIC, EDUCATION, JOBS AND SKILLS COMMITTEE

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

Daylesford — 30 May 2017

#### Members

Mr Nazih Elasmr — Chair

Ms Dee Ryall — Deputy Chair

Mr Jeff Bourman

Mr Peter Crisp

Mrs Christine Fyffe

Ms Jane Garrett

Mr Cesar Melhem

#### Witness

Mr Simon Holmes à Court.

**The CHAIR** — 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 that you can correct any typographical errors. I invite you to make a contribution and allow us some time for questions. Please state your name before you start.

**Mr HOLMES à COURT** — My name is Simon Holmes à Court, and I was the founding Chair of Hepburn Wind and went on to be the founder of Embark, an organisation that helps other communities capture the benefits that this community captured with the Hepburn project. I have done a lot in renewable energy over the last 10 years this month since I started. I appreciate that you just heard the current Chair of Hepburn. You heard a lot of details, so I will try not to be redundant there, but David did leave it to me to just give you a little bit on the genesis of the project, and I think that is important, especially since the state government played a very critical role in making our project a success.

I have to take you back to September 2004. About 30 kilometres from here is a hill—Clarkes Hill—just outside Dean, and there was a town hall meeting held there by a developer who wanted to build a wind farm of medium size. It might have been 20 to 30 turbines. They held a town hall meeting, and in the order of a couple of hundred people turned up. This was before my time. A carload of folks from Daylesford came—five people came—and they were really excited that there was going to be a wind farm in the area. The instigator of that carpool was Per Bernard, who grew up in Denmark, where it seems like almost every town has its own turbine. In fact there are 2100 community-owned projects in Denmark, and we can talk later, if you want, about how that came about.

Per and his four passengers turned up to the Clarkes Hill meeting and found it was the opposite of what they had expected. It was almost a lynching for the wind farm developer. They got a very, very strong message that they were not welcome, and not long after, the developer announced that the project was cancelled. The Daylesford group drove back to town pretty despondent that the community's first response to something new was reflexively negative. Per's father had been an investor in a local community wind farm, as had been his wider family and almost everyone he seemed to know in Denmark, and he could not see why anyone would have any problem whatsoever with them, so he set about changing people's opinions. It dawned on him that we live in a really windy area, and there is no reason why we could not do it ourselves. Thankfully Per is—and do not think he would be offended if I say it—a dreamer. It did not matter to him that no-one had ever done it before. It did not matter to him that most people in the renewables space said it could not be done or it would not be viable or it would be just too hard for a community to do. He just set about doing it.

He set up a card table on the main street of Daylesford. He did about 200 street stalls over about four years. Initially it was just Per, and eventually there were five or six of us out every Saturday helping him. I came at about the 60th stall, and that is when I signed up. So I was in the second generation of folks involved in the project. Per, on his card table, had a map, the Victorian wind atlas, which showed that we are in a really windy area here. Then he had a flowchart that showed that we would put money as a community into a project, build the turbines, sell our energy into the grid, and then with the money we would pay for the finance of the project, pay for the maintenance of the turbines and then return the surplus to the community and the community fund. That was really, really important that we wanted to spread the benefits as widely as we could within the community. Then on the right-hand side he had a sign-up sheet for who wanted to be involved.

When we got to 500 people on that list we were confident that we had a good idea. We had managed to get a grant from Sustainability Victoria under the Renewable Energy Support Fund, and we had a planning permit. At that point we incorporated and that is 10 years ago next month. That is where I stepped officially into the capacity of being the founding Chair of the cooperative. We were all volunteers the whole way along, but beforehand it was an association called the Hepburn Renewable Energy Association. The passion started out as a bunch of people who had a crazy idea that we could build a wind farm, and seven years later it had two turbines operating under a cooperative structure with 2000 members on top of Leonards Hill, which I think a number of you have visited.

I am very proud of what we achieved with the project. When we started out we thought maybe the project would have 200 to 500 members and that we would engage a few hundred people in the process. We put out our fundraising in July 2008 and within six weeks the financial crisis hit, and hit hard. What we thought would be a 12-week capital-raising process ended up taking 20 months, but it meant that we had to go a lot harder in our capital-raising efforts. We had to go a lot wider, and rather than just speak at a few local Rotary meetings we ended up talking to many, many dozen groups all around the local area and through to Melbourne to tell people about our project, and we got to the point of 2000 members engaged.

On the very, very local front one thing that we did, where we set a new standard, was the street stalls became a major information forum in the community. We were known to be out there on the main street every Saturday. It was a lot more of a politically charged environment at the time around wind energy, and people had a lot of concerns. There was a lot of misinformation. Just by being there, turning up and being open and honest with people, we managed to dispel a lot of the myths, but nothing was more important than when we took people on wind farm visits, so we arranged bus trips. They were amazing things to go on. We made them free of charge, the trips, and on the way out I would say about half the people were sceptical that these things were safe. They expected to see huge bundles of birds, piles of dead birds under the turbines. They would turn up and we would have a 10-minute presentation from the engineer about how things worked. People had brought their own picnic lunches, and we gave them two hours to just walk amongst the turbines and do their own personal research. People would walk up to them, walk away from them and see if they got louder in certain positions or not. Just the change in people on the bus trip on the way home was phenomenal—the body language. People had moved from their positions like this on the way up to being relaxed, confident and excited that a community might do that. We got a lot of members signed up as a result of having gone on their first bus trips.

Very, very important to the project was the Renewable Energy Support Fund. I will not go into details unless you want to in your questions, but I have tabled the report that we wrote to Sustainability Victoria. We put a lot of effort into it at the time. There were some good questions in there on what were the benefits to the community. We have been quite specific. So I encourage you strongly to take a read of that report. One thing about the Renewable Energy Support Fund is it was a \$975 000 grant to the project over 26 milestones, which sounds insane; most government grants might be over two, three or four milestones. It was 26 milestones, and I have also tabled that, and they were quite ...

I have just realised I have only given you one of the two pages that I intended to, so I will get the two pages to you at a later date.

A key thing about the 26 milestones is most of them were quite small—\$5000 for running a survey, \$10 000 for presenting wind data—all the way along being very transparent with the community. But a critical thing I think for the government is that only 20 per cent of funding was released to the community until the point where we reached financial close. At financial close the project is definitely going to happen; in fact we cannot back out of the project. Basically Sustainability Victoria gave us our business plan and all the carrots along the way to follow. They gave us very strong mentoring, but if we had failed to deliver, if the project had fallen over, then the government's outlay would have been less than 20 per cent of the grant value. It was an excellent, well-designed and well-administered program and a real credit to John Edgoose, who was the officer in charge at SV—a real credit to John and his team.

I want to note a couple of interesting things that I picked up from the session just finished. One interesting factor about Hepburn is that it is possibly the only debt-free wind farm in the country. The members had a very low tolerance for debt. They keep a debt facility in place just in case there is a serious equipment malfunction and they need to go and buy a \$500 000 gearbox or something. That is prudent operation for any wind farm, but the project actually has net cash. The members took a decision at an annual general meeting two years ago that rather than getting a cash dividend they wanted to see the debt extinguished first. So the cooperative is now actually sitting on a significant pile of cash, and it is currently profitable. As David mentioned, it is just working through the intricacies of getting that cash out to members in a tax-effective manner for members and the cooperative, and capital return is likely to be the most efficient mechanism. So I look forward to them making that, but they are in a healthy financial position now.

There were certainly tough operating conditions during the worst period, which would have been during the Abbott government review of the renewable energy target, which nearly destroyed it. Conditions are good once again, but conditions are very uncertain going into the next decade given the lack of any clear bipartisan support for what happens to the renewable energy target after 2020.

As we got towards the end of our project, towards commissioning our project, lots of other communities contacted us asking if we could build a community project for them. We said, ‘Well, we’re not developers. We did it for us and we did it with volunteer time. We’re not going to build you one, but we’re happy to tell you how to do it’. So on the back of that I set up a non-profit called Embark, and Embark’s job is to help other communities to follow similar paths, adopt our learnings, adapt them to the local environment, technology agnostic, and Embark has certainly helped a lot of communities around the country.

One of the biggest things is information sharing. We set up a wiki with about a couple of hundred articles. Sustainability Victoria gave us some funding to get that up and in place and help us to interview the key members behind Hepburn and other community projects and other projects overseas, write down the learnings and capture them on a wiki, and that wiki is being updated along the way as resources have permitted.

Embark just finished a key role in underwriting the Sydney Renewable Power Company, which is the largest community solar farm in the country. Excitingly, it is an urban solar farm. It sits on the new convention centre in Sydney and provides an opportunity for people who live in the city and do not own a rooftop to own solar panels. There is an exciting array of communities that are now following that model. Sydney Renewable were very proud that that is up and going and have been generating for almost a year now.

We have helped two solar farms operate on council land up in Lismore. A very exciting development that we have been working on for a very long time is community developer partnerships. We are working with the Sapphire Wind Farm—a huge wind farm, far beyond the financial capabilities of the community. The developer committed in their application to the ACT wind auction that they would make a portion of the project available to the community to buy into. So Embark has developed the ownership and financial models behind that community buy-in to a much larger project. With CWP, the developer, in the grants program there were points awarded for community engagement, and the community engagement scheme that Embark developed with them gave them very high marks and helped them receive a good position and a successful position in the bids.

Very excitingly for me was to see the development of the community energy sector. When we started it was Per Bernard as the only person in community energy pretty much in Australia—a hippie on a card table on a Saturday morning on the main street of Daylesford. In February I went to the community energy conference in Melbourne. It was about 550 people. It was very gratifying that it was one third community, one third local government and one third industry and network operators. So it has moved from being Per’s dream to one that a lot of people are taking very seriously, and I think it is a testament to that that the Victorian Parliament has enabled this inquiry and I thank you very much for the time and effort you guys are putting into it

**The CHAIR** — Simon, thank you very much. What are the key barriers faced by community energy projects, and how can the Victorian Government remove them?

**Mr HOLMES à COURT** — Well, firstly there are obviously economies of scale issues. Hepburn Wind is still the largest community energy project in the country, but it is two orders of magnitude smaller than a large project. People are building 400 megawatt wind farms; we are 100th the size of that. At the other end we are 1000 times bigger than the average domestic system. So we sit in a no-man’s-land. There is a whole very, very healthy industry around servicing domestic demand, and there is a growing industry around servicing the needs of the large developers, but quite niche around that middle ground where communities are. There are now a lot more firms looking at it and interested in it than there were back 10 years ago, but the economies of scale mean that there are fewer suppliers that are willing to work in this space. That needs to be considered.

Another barrier is community groups have no capital to start with. They have no balance sheet. They do not have a portfolio of other wind projects or other solar projects that they have built. They start with nothing. So at Hepburn I think we all put in \$10 on the first night and there were 19 people who signed up, so \$190 was our balance sheet when we started. Three years later it was \$13 million. So we can get there, but it is a non-traditional path to building a balance sheet.

Another thing to think about is that community groups do have lower return expectations than industry. If you tell industry you have got a project that returns a 10 per cent rate of return, there is limited enthusiasm. If you tell a community you can give them a 5 per cent rate of return but there are local benefits, then the community gets quite excited about that.

But while there is a lower return expectation, there is a lower risk. One thing that we are very cognisant about is that a lot of people are not that aware that they have a lower risk tolerance, but we certainly were. All the way along we knew about our directors' responsibilities, we knew about all the legal responsibilities. But one thing we were very cognisant of is that, as members of the community, if we lost people's money through incompetence or worse, we would all have to leave town. These are people we see at Coles, the local supermarket. They are people who are our neighbours or are part of other community organisations we are in. So we were very aware that there was an extra level of governance or expectation, I guess, of governance from us. But we could not take any risks.

Early on people said to us, 'Why don't you buy second-hand turbines? There are lots of cheap turbines coming out of Europe'. We said, 'Well, that is just not appropriate'. Or people would think of new technologies—'There's these brand-new widgets coming out of wherever'. We are innovating social models but we are not technology innovators. So I would not look at the community scheme ever to bring a technology that other people have not fully de-risked.

**Mr CRISP** — Sound advice. Your Embark does give advice to communities and lay out pathways. We have also had evidence from the Frontier Impact Group, who have prepared a booklet as well to do that. Have you had a look at the work that Frontier did on that booklet?

**Mr HOLMES à COURT** — No, I have not seen that one. I would like to, though.

**Mr CRISP** — That is okay. We are looking for advice. But perhaps, Simon, if at some time in the next month or so you did offer some views on that and you had time, that would be appreciated.

**Mr HOLMES à COURT** — I would be very happy to. Some comments on the book or ...

**Mr CRISP** — It is a toolkit that has been produced with some federal funding by the Frontier Impact Group on how communities can move through the process, which I think is very similar to what you offer with Embark.

**Mr HOLMES à COURT** — There have now been several guides written. The Victorian Government has been a party to one of those in last couple of years—guides to community energy. I think they are very, very useful at the early stages for people to work out. At the early ages in a community there will be all sorts of ideas. Very quickly you work out do you have a local resource? Do you have some leaders in the community? Do you have a supportive council? They help you very quickly narrow down through those guides.

But the hands-on support or the mentoring we had from Sustainability Victoria—someone could have dumped a binder on us about how to do the project and it would not have been anywhere near as useful as the support we got from Sustainability Victoria. So I cannot emphasise enough that if you want more projects in the space—well-constructed government programs—not to do the work for people. There are plenty of examples where government has thrown in \$200 000 to a feasibility group and the group has gone and given it to a consultant, they have written a 3-inch report and it is been forgotten a year later. That does not work.

This idea of drip-feeding a very small amount—no consultant would work for this kind of money for the amount done, but the community certainly will. If you really want to do it, okay, this is how you have got to do it. You have got to perform, and you are going to have someone that you call any time you like to help you through the problems and that is well-connected in the industry when you run into problems. But we could not have done it without them.

**Mrs FYFFE** — Just quickly, technologies other than wind and solar: how feasible do you think it is for community energy groups to develop projects using bioenergy or pumped hydro technologies?

**Mr HOLMES à COURT** — I cannot think of any cases in Australia where pumped hydro will work at the small scale. There are some great examples at the big scale, but as a standalone business it is very new, and people do not understand enough about how the economics work, so I would caution people away from that. Mini hydro—Embark has given advice to people. There are mini hydro examples. You touched briefly with David Perry from Hepburn Wind on the local project here. We were quite chuffed to find out that we were not the first community energy project in the area that was a community-owned project built in the 19th century. I think it is more than 140 years ago that the community owned their own electricity generation and it is the same up in Warburton; there is a project there. I do not know if you have spoken to those folks. There are lots of opportunities for bringing back to life old projects that were put out of commission when we centralised the grid. So I would look at that.

Bioenergy has very interesting potential, and the community aspect, where you have a cooperative of farmers who have feedstock for the bioenergy, is really interesting. But there are not a lot of successful models in Australia yet, so I would tread carefully there and only with a lot of support to make sure that the farmers themselves were not burnt in the process.

**The CHAIR** — Simon, on behalf of the Committee we wish you happy birthday and thank you very much for coming and giving evidence.

**Mr HOLMES à COURT** — Thank you very much.

**Witness withdrew.**