

CORRECTED VERSION

ECONOMIC, EDUCATION, JOBS AND SKILLS COMMITTEE

Inquiry into community energy projects

Shepparton — 31 May 2017

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Witness

Ms Michelle Wilkinson, Committee Member, Renewable Albury-Wodonga Energy.

The CHAIR — Welcome to the public hearing for the Economic, Education, Jobs and Skills Committee’s 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 your contribution and allow us some time for questions. Please state your name before you start.

Ms WILKINSON — Thank you. My name is Michelle Wilkinson, and I represent Renewable Albury-Wodonga—otherwise known as RAW—Energy. We are a community group trying to establish renewable energy projects in the Albury-Wodonga area. Firstly, I want to say thank you for hosting this in a regional area so we have got an easy opportunity to come and represent our community energy group but also for inviting Renewable Albury-Wodonga to participate in this process.

We submitted something to your parliamentary inquiry last September, and I just wanted to expand a few points on behalf of our committee. The first one of those is to actually make it clearer. As a community energy group we are trying to make it clearer to our community about what renewable energy is and how the market works. For us working in that space as volunteers, we find that confusing, so we would like to see more clarity about how VRET auctions are operated and just have some clarity around that, not just for community energy groups but also in how we communicate that with our local communities and how that actually affects community energy—so, how community energy groups could actually participate in those auctions. At the moment we are struggling to understand how we could actually participate in that auction process.

Also, we really support some action around some level of funding for a support person, whether that be shared amongst regional community energy groups, just to support those basic functions around administration and how we participate in energy markets. For example, regional community energy groups could share an administrative function, be that auspiced by, say, a greenhouse alliance structure or through local government—some sort of auspicing arrangement like that—just to support the work that all of these volunteer community energy groups are trying to participate in and just recognising the fact that there is a lot of work that is required to actually understand a lot of these complex energy markets, especially the VRET auction process at the moment.

We actually would really endorse a target being set for community renewable energy, not just renewable energy itself in Victoria but an actual target for community renewable energy so that it gives confidence to investors in the community energy sector about the process that we are going to undertake and projects that could be funded locally. It also would establish that baseline that we have got to work towards. At the moment it is a very unknown space and it is space that is moving very quickly, so we feel that establishing a community renewable energy target would help establish a baseline for targets in Victoria.

Lastly, we really would like to support some amendment to legislation or a review of legislation around energy retailing. At the moment in Victoria it is probably the hardest state to actually become an energy retailer, particularly for a community renewable energy group. Again, being volunteer based, it is particularly difficult for us to even contemplate going down this space. I do not know that every town’s community renewable energy group would particularly want to be their own energy retailer, but a model like Enova, based in Byron Bay, has been operating in New South Wales for a number of years now. My understanding is that they have been trying to obtain a licence to operate in Victoria as a community energy retailer. They have had great difficulty and still have not obtained a licence to do that. Being on the border, Albury-Wodonga, our neighbours in Albury can sign up to a community energy retailer in Enova on the New South Wales side, but at the moment they cannot in Victoria. Also, our neighbouring community energy groups are finding it particularly frustrating even trying to understand how to set up an energy retailer for their region.

Renewable Albury-Wodonga would like to perhaps not become an energy retailer, but we would certainly support and possibly even join up to an energy retailer regionally. We understand why the complexity was there, and the legislation for energy retailers has grown out of big business, but the market has certainly changed. The need to respond to community groups who actually would like to establish their own energy

future, I think, is changing the way that that legislation needs to reflect those community group needs. Again, that supports the need for some sort of paid support person, perhaps regionally—perhaps not, as I mentioned, for every community energy group—to understand then the legalities and complexities of becoming an energy retailer. We feel that perhaps that model of greenhouse alliances or catchment management authorities auspicing community groups could be a valid model, where perhaps one to two days a week is provided per regional town for administrative and legal support.

The CHAIR — Thank you, Michelle. What is the Wodonga community solar project, how will it involve the community and at what stage is the process in? How will you fund the project?

Ms WILKINSON — We were very fortunate to get some funding from the Victorian Government through the New Energy Jobs Fund. At the moment that process is building a feasibility study and business case for a 2-megawatt solar farm. Just yesterday Renewable Albury-Wodonga had a workshop with a regional government agency, who are building a 20-megawatt solar farm on their land. Renewable Albury-Wodonga looks like we will enter into a partnership with a regional government agency to have a community component of that 20 megawatts. We should be able to at least offer 1 megawatt back to our community as a community investment model.

I guess the unique thing—we cannot find anywhere else doing it—in community energy for Wodonga is that we have also got a social justice aspect to our community energy. We do not just want private investors from our local community, we actually have embedded into our feasibility that a portion of that profit goes back to low-income households locally who actually cannot afford to put solar panels on the roof. We recognise that a lot of private industry and private households have moved forward with, particularly in our area, solar panels on the roof, but there is a segment of our population that cannot participate in that market but also are very vulnerable, as they are exposed to high energy prices. What that project will actually do is have a proportion of its profits put back into retrofitting low-income households or even putting some solar panels on roofs to help cushion that high energy price.

Ms RYALL — You talked about retailing. I just want to understand how that would fit into the wider grid situation—the management of it, the maintenance and obviously being aware of the role of retailers and then when problems occur and issues. How do you envisage that?

Ms WILKINSON — We have great support from our distributor, SP AusNet, who has basically identified sites next to high-power transmission stations. That actually minimises the cost of these large installations, so it is understanding that distribution side of things. Actually it is feeding into where they see the best places to put these solar farms but also the weaker points of the distribution system. From the distribution end it is meeting their long-term vision for the north-east, but then also from the retailing end it actually means that if we have a community energy retailer—as I say, Renewable Albury-Wodonga does not necessarily want to be our own retailer, but we need to partner with a community energy retailer so that those benefits back to the local community can be realised back through those profits from the renewable energy. If we, for example, just partnered with a standard energy retailer, it would be very difficult for those profits to come back into the community. So it is basically having control and ownership of the energy that is generated.

Ms RYALL — So if I could just clarify: your relationship with SP AusNet, how is that? Is that under a MOU or is it ...

Ms WILKINSON — Yes.

Ms RYALL — And what does that entail?

Ms WILKINSON — It basically means that SP AusNet has agreed to assist us on basically a no-cost basis because we are a community group and because they would actually like to enter this space. They have assisted us in the development of the feasibility study from those aspects that I mentioned about finding the suitable sites and the low-cost sites next to connection points to the grid. So, for example, a site that we have identified in Wodonga—there are two. There is one with a regional government agency, and there is another project that we are pursuing as well. It actually makes more sense to go 20-plus megawatts

on both those sites because the connection fee is the same, so the investment model is actually better once you are talking above 20 megawatts.

It has moved in such a short space from when we actually wrote the New Energy Jobs Fund grant. We thought we were dreaming to talk about 2 megawatts, and in the space of 18 months we are now talking to the distributor about a 25-megawatt solar farm. That is the space where you really need to be in control of that energy that is generated through a community energy retailer because you are actually starting to talk about some big energy generated but also then some profits.

Mr CRISP — I would like to further explore the partnership that you are developing. You touch a little bit on, say, for over 20 megawatts there being 1 megawatt of that for community investment.

Ms WILKINSON — That is right.

Mr CRISP — Yet you also were looking to deliver a benefit back to vulnerable households. I would like, if we can, to explore your financial model, because I assume for a 1-megawatt coinvestment someone is going to have to put money into the project ...

Ms WILKINSON — That is right.

Mr CRISP — then they will want a return out of that. How are you going to fit supporting vulnerable households into that financial model?

Ms WILKINSON — I think it is making it clear from the start the actual financial gain that, say, a private investor would obtain. I think it is modelled at about 5 per cent return at the moment, so for an investor we would make it clear that a certain proportion of that would be their investment or return on their investment, and then for the community a certain percentage, which is looking like about 2 per cent, would be set aside for that community reinvestment. But also a proportion of that 1 megawatt will actually be just pure fundraising by Renewable Albury-Wodonga. We are aiming to have 100 kilowatts of that 1 megawatt, so 10 per cent, actually owned for community reinvestment in those vulnerable households.

Mr CRISP — You will be looking at philanthropic donations to achieve that?

Ms WILKINSON — That is right, and that business case is being developed at the moment. That is due for submission to the Department of Environment, Land, Water and Planning by November this year, so that will be a fully costed business case ready to go out to market in partnership with a regional government agency.

Mr CRISP — To be very clear, is the 5 per cent return what you will go with to market for investment, or a 3 per cent return? Is the project 5 per cent return minus two for the community or is it a seven minus two?

Ms WILKINSON — It is seven minus two.

Mr CRISP — Thank you.

Mrs FYFFE — I understand Moreland Energy, a consulting team, is supporting the Wodonga community solar project. What is their role in this?

Ms WILKINSON — They have been building the feasibility study for the first aspect of this project. That actually looked at different sites and businesses. Because we have said to the New Energy Jobs Fund that we will put in a minimum of 2 megawatts, practically that could look anything like 20 sites with 100 kilowatts or it could have just been one 2 megawatt installation.

The first phase of the project, which is just completed actually, narrowed down our best project moving forward practically and financially. The end goal of actually having something built would be to partner with a regional government agency and some key businesses to put in two or three installations of 300 or 400 kilowatts. Moreland Energy have done the first feasibility phase on that, and they have actually won

the contract now to build the financial model and the business case, so that project is ready to take to market.

Mrs FYFFE — You are paying them out of the government grant to do this?

Ms WILKINSON — That is right.

The CHAIR — Have you considered developing projects using renewable energy technologies other than solar?

Ms WILKINSON — We did investigate other technologies. We had a community forum in November 2005, and there are some opportunities like waste to energy and a little bit of micro-hydro and also some business waste energy.

The main technology really for Wodonga is solar. We get fantastic sunshine hours. It makes commercial sense at the moment. We are certainly not against partnering with a business that wants to do a waste-to-energy project, and I know on the Albury side the landfill does have a methane-to-energy project operating currently. So we are certainly supportive of all renewable energies. It is just that solar makes the best sense for Wodonga at the moment.

Mr CRISP — Is the landfill operated by the Wodonga council?

Ms WILKINSON — Albury City.

Mr CRISP — Just to probably close off, I seek whether you want to make some comments about your relationship with the Wodonga council—how that worked and the continued collaboration.

Ms WILKINSON — I could not say enough thanks to our local government supporters. I think we have got great collaboration regionally between community energy groups and local government, but particularly Wodonga council, who actually supported us through a sustainable living festival to host our first community energy forum to get that community licence to operate in Wodonga. They have hosted meetings for us and they have really connected us with organisations such as North East Water. We probably would not exist as well as we do without the support of local government.

Mr CRISP — Thank you.

The CHAIR — Your submission recommends the establishment of Sustainability Victoria and community powerhouses as community energy support agencies. What kind of support would you like to see these agencies offer?

Ms WILKINSON — I guess it is expanding on that idea that really for community energy groups to operate in that commercial space we need that administrative paid role. We see Sustainability Victoria as being that body at the state level that supports those regional paid positions and supports the community energy groups, perhaps through that greenhouse alliance model.

Mr CRISP — An opinion—between feed-in tariffs and vulnerable households, where is the balance?

Ms WILKINSON — I do not feel qualified to give that opinion. I think there are people better qualified to give an opinion than me. I guess Renewable Albury-Wodonga really sees community renewable energy projects as a real levelling tool for energy justice. We have got a huge vulnerable population locally, and we would like to support their energy vulnerability.

We connect quite a lot with charities like UnitingCare and our local food van service, who tell us that people are in crisis with their energy bills all the time. I guess personally I see that those targets probably mean that the least vulnerable people in our community actually suffer more sometimes. It is unintended consequences, I think.

Mr CRISP — Thank you. To be humorous, Chair, was I the only one who choked on his toast at breakfast to see an article in the *Herald Sun* that said energy had gone down 3 per cent last year?

The CHAIR — Michelle, what trading support and resources do community energy groups require to develop community energy projects successfully?

Ms WILKINSON — I think support like that the New Energy Jobs Fund put out last year. We actually had a session in Beechworth a couple of times, and that was co-organised through the Alternative Technology Association. Moreland Energy Foundation, I think, participated—those sorts of days where it is not just support to write an application for the New Energy Jobs Fund.

There was also a workshop prior to that about understanding community energy, and that is just incredibly valuable. I am just a businessperson off the street who thinks we should be putting in more renewable energy. I know nothing of VRETs and the energy market. It has been a very big learning curve for me, and I still feel incredibly unknowledgeable. So any sort of support like that regionally is just so fantastic, and we learned so much on those days.

Mrs FYFFE — Just before we finish, listening to what you are saying and what you are doing, how do you see it working with local government between community groups to develop community energy projects? Have you been talking to local government to develop a project or identify suitable host sites?

Ms WILKINSON — The Wodonga council actually manages our New Energy Jobs Fund project. They actually hold the funds because we were not an incorporated body. They administer that project, so we very much have a strong relationship with them as far as building that project goes. Even council buildings have been assessed for hosting some of these sites.

The community are very on board with that because they identify with, say, community buildings, your local sports centre—all those places that are big energy users. So it is certainly a partnership that makes sense and is supported by the community. I think community energy groups can actually help local government get a bit of social licence to do some of these things as well.

Mrs FYFFE — I think it gives credibility to both sides, does it not, when you are working together?

Ms WILKINSON — Absolutely.

Mrs FYFFE — Thank you.

The CHAIR — On behalf of the Committee, I would like to thank you for your time and your contribution. Thank you very much.

Ms WILKINSON — Thank you. Thanks for listening.

Witness withdrew.