

# CORRECTED VERSION

## ECONOMIC, EDUCATION, JOBS AND SKILLS COMMITTEE

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

Melbourne — 7 November 2016

#### Members

Mr Nazih Elasmr — Chair

Ms Dee Ryall — Deputy Chair

Mr Jeff Bourman

Mr Peter Crisp

Mrs Christine Fyffe

Mr Cesar Melhem

Mr Don Nardella

#### Witnesses

Ms Linda Parlane, Board Member, Moreland Community Solar Co-operative, and

Mr Les Pradd, Director, Yarra Community Solar.

**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, and we will provide a proof version of the Hansard transcript so you can correct any typographical errors. I would like to invite you after I introduce my Committee members to make a short statement and then we will ask questions. I have on my right Mr Peter Crisp, Mr Don Nardella, Mr Jeff Bourman, Mr Cesar Melhem and Mrs Christine Fyffe. We have got the Executive Officer on the other side. The stage is yours. Please state your name for the Hansard record before you start.

**Ms PARLANE** — Good morning. My name is Linda Parlane. I am a Board Member of Moreland Community Solar and I am also here today to represent the Victorian Community Solar Alliance. The alliance comprises 14 community organisations across the state, all of whom are committed to the unique combination of community involvement and participation on the one hand and increasing solar energy in our local communities on the other. We are all interested in harnessing the energy and enthusiasm of people in our local communities to expand solar power; you might call us the early adopters in this space. Our groups are, in a sense, inventing community solar in Victoria. Community solar is very new here, so every step our groups take is about learning what it takes to make community solar work in the Victorian context.

The alliance has emerged gradually out of the combined needs of our groups. We are not about putting solar panels up ourselves; we are about facilitating our 14 organisations to do so in their own local communities. We see our role as identifying the tools and, as it were, the infrastructure needed by community groups, and finding ways of getting that infrastructure put in place. Just to give you a couple of examples of what we have so far done: the first thing we did was to work together to change the regulatory framework relating to energy retailing in Victoria. When we came to this type of activity we discovered to our surprise that in order to sell a small amount of electricity to one business, we required a full retail licence equivalent to that required by Origin Energy or any of the other big retailers. That would have made our business models unviable.

So we began, about 18 months ago, doing a little bit of advocacy to try and change that situation so we would be able to do business. Last December the Minister announced an exemption to the requirement for a retail licence, which makes it possible for us now to do business, and we are very, very happy about that. Subsequent to that, we have worked together to put in an application for funding under the New Energy Jobs Fund of the Victorian Government and have been successful in receiving money to create some tools to support all of our organisations in getting projects up. The final thing that I would just like to say about how we work is that we are also interested in advocating for policy and resources that will support the development of community solar in Victoria.

Briefly on how we work. We are all volunteers. We have no ongoing resources at all beyond our specific project grant that the Alliance has just received. That is the only financial resource we have, and once we finish that project, that is the end of that. Because we are volunteers, we are time poor. The way I like to describe it for people is, we are doing our submissions to Government in our pyjamas in the evenings. We have a varying range of experience, from people who know absolutely nothing about energy when they start in this space to people who have quite a lot of experience in the solar industry or in finance or in business. But I think the thing that characterises the community solar area best is that cooperation and mutual support. A determination to make community solar viable and workable in Victoria is what we are about. So that, in summary, describes the Victorian Community Solar Alliance.

It was suggested to me that Les and I might also briefly tell you a little bit about our individual organisations before we go into the broader questions that come out of the submission from the Alliance. For me, as well as being actively part of the Victorian Community Solar Alliance, I am a board member of Moreland Community Solar, and in a way my journey with Moreland Community Solar parallels the journey for community solar as a whole in Victoria. I got involved with the newly formed Moreland Community Solar in 2012 when I returned from living for six months in Germany. I had been really impressed with the amount of solar energy that you see in Germany, which, as I am sure you all know, is a

very cool and cloudy country. I was especially impressed with the extent of community ownership of renewable energy in that country. Speaking of solar, about 50 per cent of the solar energy in Germany is community owned, which I think is quite impressive.

So I thought it would be a relatively simple process of putting in place a few straightforward arrangements to put solar panels on the roofs of local businesses and bringing community investment in to assist local businesses to go solar. I certainly did not think four years later I would be presenting information to a parliamentary committee and that we still would not have put any solar panels on any roofs. What I have learnt along the way is that it is actually a very complex area. There were a range of regulatory barriers, one of which I discussed earlier. I had not anticipated the problems that would be caused by the lack of resources, and I certainly did not understand what a narrow niche community solar is in Victoria at the moment because of the way the electricity industry is structured. So it has been a very interesting learning journey for me. But my organisation is now at the point of actually seriously looking for our first project roof four years or so after we started. We have been incorporated as a cooperative, I should say, for about two years.

The final thing I want to say is that my organisation is very lucky. Being located in the City of Moreland, we have had a lot of support from the Moreland Energy Foundation, which you may be familiar with. The Foundation made a submission to the inquiry and may even have presented — I am not sure. But they have been able to provide us with quite a lot of backup and support, even just basic things like somewhere to meet. In terms of the alliance, they have enabled us to keep in telephone conference contact with our 14 members so we have actually been able to communicate and work together. So that experience of having a local resource organisation has been really, really positive, and something which has led to some of the recommendations in our submission. Having said all of that, I will pass over to Les to talk about Yarra Community Solar.

**Mr PRADD** — Thank you, Linda. My name is Les Pradd. I am a Director with Yarra Community Solar, and Yarra Community Solar is also a member of the Victorian Community Solar Alliance. Yarra Community Solar formed about four years ago. We are a small group with a few active members. We had a number of supporters initially, but we made a conscious decision not to scale up due to uncertainty around the prospects of being able to conduct business and develop a business model. So we have spent considerable time addressing a number of issues, some of which Linda has spoken about. One very important issue for us was to determine our appropriate legal structure, which we have—we are a cooperative—and also to develop our business model, which we call an investment business model, and that was described in attachment 1 to our submission.

Also, we spent some time working with the Victorian Community Solar Alliance in addressing the issues around the legality of selling energy, and putting together the submission that was successful to the New Energy Jobs Fund to develop some business tools. As a consequence, now that we believe that the prospects for conducting business successfully exist, we are looking to scale up our organisation and actively seeking volunteers. There are, however, a number of issues that are associated with the business model that we are seeking to implement, and these are discussed on page 7 in box 1 of our submission.

The issues that were identified in here are quite common to organisations that are looking to implement the investment model. Based on our financial model the community solar investment model is a viable business proposition for our customers or our potential customers if, for example, the solar installation is of a particular size. We believe a 40-kilowatt size is the starting point. It is far more likely that the business proposition will be successful if the organisation is utilising the energy trades seven days a week, that they use all the energy and that they do not export to the grid because of the lower feed-in tariff. It is easier if the organisation owns and occupies the building because there are issues around split incentives if you have a lease arrangement, and if the organisation that is utilising the energy has a cost for energy of 20 or 24 cents per kilowatt hour when the sun shines. Those are the sorts of situations that need to be in place for our business proposition to be valid to potential customers.

As a consequence of those issues our submission contains a number of recommendations. I just want to touch on a couple of those that would help deal with some of the issues that I have raised. The first would

be the establishment of a community feed-in tariff. This would be an agreement where the community solar organisation would be able to enter into a contract to ensure that they can sell any surplus energy into the grid at a particular rate that would ensure the financial viability of that operation and would be subject to a contract that would go over a number of years to ensure that the investment was successful.

Another potential change that would enable community solar organisations to operate and also other renewable energy options would be local energy trading. This has also been known as peer-to-peer trading or virtual net metering, and this would enable surplus energy to be sold at a profitable rate and would deal in part with the issue where the operator of the solar installation would only be operating five days a week. So the surplus energy generated on the other two days could be sold into the grid at a more profitable rate.

One of the issues that we have encountered both here and in other states is because this is a new venture, the ability to obtain the first roof to demonstrate that this is a viable business model can be an issue for new organisations. We understand that the State Government has indicated that they are looking to reduce their carbon footprint and we believe that there would be a number of potential Government business roofs where community-funded installation may be appropriate.

I believe that a further issue—and Linda touched on this—in developing community solar organisations across Victoria is organisations that were similarly structured and conducted themselves in a manner similar to the Moreland Energy Foundation would be a great advantage. I believe the Coalition for Community Energy spoke to you last week or a few weeks ago. They may have raised that issue with you. Community Energy Powerhouses, if they were implemented across Victoria, would make life considerably easier for the development of community energy in Victoria.

Finally, I mentioned the split incentive issue between landlords and tenants. So if you are a landlord and you wanted to install solar panels on your roof, realising the benefit would be only possible if the tenant paid you for the energy that was generated. Getting those sorts of arrangements easily in place potentially as a standard lease arrangement would be something Government could play a major part. It is a difficult issue for many people. They are the five areas.

**The CHAIR** — Thank you very much. Can you elaborate more about that landlord, when you spoke last?

**Mr PRADD** — If you are an owner-occupier of a building, you install panels on your roof and you are looking for a financial return. The financial return you obtain is through saving on energy, so not paying a bill to an energy retailer is a saving and you use that as your payback for your investment. If you are the landlord, you would be spending money on installing the solar panels. The only way you would get a financial return would be for additional rent to be paid.

Alternatively, if you were the tenant and you wanted to install panels on the roof, you could do that but in effect the benefit of solar panels extends over a 20-year period. So you would only do that if you were going to stay in that building and you had a long-term lease and you knew that your business was going to be conducted in that space for a 20-year period. So how you deal with those—it is called split incentives—is an issue, and we recommend that this would be a matter for the Property Council and Solar Council to potentially work together with the Government because the majority of medium-sized and large businesses are in leased premises.

**Ms PARLANE** — In Melbourne at any rate.

**Mr PRADD** — So if we are moving from a situation where energy is generated in large generators to a situation where it is distributed widely across the community, this is an area where business practice needs to catch up to the changing technology. Which is the role of Government.

**Ms PARLANE** — The specifics for community solar is that if we approach a business and it is a tenanted business rather than an owner-occupier business, the likelihood of being able to work out a suitable arrangement between the owner, the occupier and the community solar business is very, very slim. So given the case of community solar organisations located in Melbourne, that takes out of the picture a

vast number of businesses who might otherwise benefit from a partnership with a local community organisation to enable them to go solar.

**Mr NARDELLA** — But a lot of leasing arrangements are five, five, five or they are long-term leases, depending on the business, so there are different market conditions in terms of what you are talking about. It is just a matter of finding the ones that may have two things: long-term viability, because that is number one, but also long-term leases.

**Ms PARLANE** — That is right. Yes.

**Mr NARDELLA** — For schools or hospitals or whatever.

**Ms PARLANE** — Schools are not really practical for community solar at the moment because of the other issue—for investment model community solar, I should say—because they are only occupied for part of the year. So they are only using electricity for part of the year. They are not occupied on weekends, they are not occupied on school holidays et cetera, so that means when there is no business going on in the school as it were all of the energy is being exported to the grid and that means the income to the community solar project is too low to be able to repay the capital and a dividend to the shareholders.

I am really happy to elaborate on that if you would like to go into that model a bit more, but basically that is what I am saying about there being a very narrow niche for community solar because of those constraints. So we have got to be able to pay back our investors, along with a small dividend, in order for it to be viable. If you are getting 5 cents a kilowatt hour or 6 cents a kilowatt hour or something like that, it is nowhere near the 20-ish cents a kilowatt hour you need to make it viable.

**Mr NARDELLA** — So you are trying to cherrypick the high electricity users to make your model viable?

**Ms PARLANE** — I do not think it is a matter of cherrypicking. We are trying to identify those people who are stranded on high tariffs so that we can offer them...

**Mr NARDELLA** — In my view it is cherrypicking, but that is okay.

**Ms PARLANE** — a lower tariff and some certainty about their electricity prices going forward.

**Mr NARDELLA** — That is all right. That is fine.

**The CHAIR** — Can you explain why an investment model community solar project has not yet been developed in Victoria? Compared with other states, what are the reasons?

**Ms PARLANE** — The first reason was that until last December it was not legal to do so, so that was a major impediment. That was because there was a requirement for us to have a retail licence, and if we had a retail licence, that would have made our businesses unviable because of the substantial cost—it is something like \$20 000 a year to have a licence plus enormous compliance requirements. The cost was too high and the compliance was not possible for small community organisations. That is the first reason. That is now out of the way. But we had no idea when that was going to happen. It suddenly happened in December, and that is great. So now, in the case of my organisation, we are in the business of trying to identify a roof that we can start with.

**Mr NARDELLA** — Who did that?

**Ms PARLANE** — The Minister announced an exemption for solar power purchase agreements under 5 megawatts in December last year, which was great. It is fantastic.

**Mr NARDELLA** — Okay. I wanted to get that on the record, that was all.

**Mr PRADD** — There is a secondary issue, which is that when we are looking at establishing ourselves, we are looking at doing this not just to get a project on a roof but rather to set ourselves up in a manner so

that we can conduct ourselves in a professional manner and so that we can match investment funds that are available, we believe, in the community with as many roofs as we possibly can. To conduct business in a professional manner you need legal documents, you need a web presence and you need the web presence to be smart phone friendly. You need a robust financial model and so on. As a consequence we decided, through the Victorian Community Solar Alliance, to seek funds from the New Energy Jobs Fund to generate tools that will do just that. We are working collectively to get the specifications together so that we will be able to have tools so when these tools are available we will be able to conduct business in a professional manner. Because if you are going to be dealing with small, medium and large businesses, you want to be able to present yourself in a manner that they would expect.

**Mr CRISP** — On community feed-in tariffs, you talked about needing a price. Do you know what price per kilowatt hour it needs to be to be viable?

**Mr PRADD** — It would depend on the specifics of the particular solar installation, but I would expect it would be somewhere in the order of 20 or so cents per kilowatt hour—thereabouts. Yes, I think 20 cents or thereabouts.

**Mr CRISP** — That is to go back into the grid?

**Mr PRADD** — Yes.

**Mr CRISP** — What if you are using virtual metering within the building? Is it the same price?

**Mr PRADD** — Again, that would depend on the arrangement that you have with the distributor and whoever is providing—virtual metering can be a potentially complex issue, but if you are just simply selling it to somebody else, that would be the rate that you paid if you did not have to pay a fee to the distributor.

**Mr BOURMAN** — Just a quickie about compliance. You mentioned compliance costs for a full-on retailer would be too much for a generator. Compliance is generally there for a reason. Can you see any potential issues arising from the fact that community energy will not need to comply to that standard? I am kind of looking further down the track. Rather than just saying we do not need to go through all this compliance, is there an abbreviated compliance model you have in mind? What is to stop people from ripping people off or whatever the case may be?

**Ms PARLANE** — Good question, very good question. This is something we have grappled with quite a bit over the last couple of years as we have been making submissions to Government on this very question. There is national consumer law and various other legal frameworks that basically ensure that if people do not do the right thing, there is some backup. But we would also argue that because we are community based and because there are a whole lot of accountabilities back to our local communities, people are much more likely to be doing the right thing. Most people come into this space because they are wanting to do two things. They are wanting to create some community participation and involvement, which means having lots of members who know what is going on and who are part of the picture and are contributing in one way or another, even if it is just coming to check up on what you are doing. They are also wanting to get some more solar power and build partnerships with local businesses. So there is a whole lot of openness and accountability which is implicit to the model if you like. The combination of the two of those things—the range of legal frameworks that already exist, including national consumer law, and the community context of it—I think provides a whole lot of guarantees.

**Mr BOURMAN** — The only problem I guess I see with that is that it only takes one person who is in there for a different reason than everyone else to make a problem. That is why we end up with so much compliance in every facet of life. It is not the majority you are trying to look for.

**Mr PRADD** — Yes. There are a couple of other points to make here. Firstly, this question has been looked at by the Australian Energy Regulator, who determines these rules in states other than Victoria, and by the review in Victoria of the General Exemption Order and also energy licensing matters—one conducted by the Department and the other by the Essential Services Commission. I think they are heading

towards a similar position to that which the Australian Energy Regulator put in place because of the other arrangements—the other laws, the national laws. But also the Department is looking at defining what are community energy projects so that if you meet these particular criteria, these exemptions would apply and therefore the potential for the shonky operator to call themselves a community organisation would be diminished. Also, in our discussions with the Department, they are indicating that this is a situation they are looking at now, and as things evolve they will monitor the situation.

**Ms PARLANE** — I think what they are looking at at the moment is some form of registration for community solar or other small community energy operators. In our case, for the investment model at the moment, we are looking at quite small installations, so only up to 99 kilowatts. We are not talking about substantial installations that might have significant impacts either in the market or in the grid. They are quite small, very contained set-ups.

**Mr PRADD** — The capital investment might be \$120 000 maximum per installation.

**Mr BOURMAN** — You said the feed-in tariff would need to be about 20 cents per kilowatt hour to make it viable. Do you have any idea what it is in places like Germany or anything like that?

**Ms PARLANE** — Well, that a really good question. That is just changing at the moment. There has been a change of framework at the top of the tree in Germany, so the feed-in tariff is being phased out and the consequences of that have been diabolical for community energy.

**Mr BOURMAN** — I will make a statement here, which is where I was going. This community energy cannot succeed without government help is the bottom line with the feed-in tariffs being set, because I would suggest the energy retailers to a large degree would rather the model stayed as it is because they will make more money out of it. But the only way it can be successful, as you are seeing in Germany, is if there is some form of subsidy—we will call it a ‘subsidy’ because I cannot think of a better word—to make it viable. I am after your comments on that.

**Ms PARLANE** — I guess I would make a couple of comments. If your objective is to decarbonise, then you have to find some strategies to do that, and a feed-in tariff has been proven to do that. You just have to look at Germany or England or various other examples and you can see that the feed-in tariff has had a really profound effect and it has achieved the outcomes that people were trying to do.

In Germany, where they have been gradually phasing out the feed-in tariff and replacing it with reverse auctions—I was in Germany again this year and the renewable energy industry, particularly the community sector of the renewable energy industry, is up in arms because the reverse auctions have effectively cut them out because they are so complex and so time consuming that community organisations, even substantial community organisations, which they are in Germany, cannot participate in the complex processes.

So there has to be some mechanism. What is the mechanism going to be? The simpler, the better. If you want to enable community-based organisations to be part of the market, then you have got to find something which is going to enable them to do so and putting in place barriers like reverse auctions et cetera is not going to achieve community participation in that space basically.

**Mr PRADD** — I believe it is a viable business proposition in particular circumstances. If, for example, you owned and occupied a building that could utilise 100 kilowatts of energy from solar panels and you operated that installation seven days a week and did not have to feed any surplus power into the grid, or very little, and you were paying \$0.24 per kilowatt hour to your energy retailer, this would work and indeed you would basically be paying us instead of paying your energy retailer that amount of money for the energy generated.

After about seven years the investors in this proposal would have their capital repaid and a small dividend, based on the cost structure. I am now talking about the community solar organisation of which I am a member. The panels would last for at least 20 years so there would be 13 years of free energy. In effect what you are doing is you are using your power bill to pay off your solar panels. That is a viable business

proposition. It may not be the one that the owner of that building would want to undertake but it is a commercial viability and there is no additional government funding provided for that.

The point I was making earlier, and Linda also made, is that it is a niche and it is a question of: do we want to widen the niche?

**Mr NARDELLA** — Explain the reverse auction system. Why have they put that in place?

**Ms PARLANE** — In Germany?

**Mr NARDELLA** — Yes.

**Mr CRISP** — It is a good question.

**Mr NARDELLA** — I do not understand it.

**Ms PARLANE** — I do not really understand it either, and I spent quite a bit of time going around talking to people. I happened to be in Berlin this year when the reverse auction legislation was being considered in the Bundestag and I spent a lot of time talking to community energy organisations and people are bewildered about why the change is necessary. It is some politically driven process that people are very unhappy with. I do not think it is over yet. My sense is that there is a bit more water to go under the bridge and that they may come back to something somewhere in the middle with special systems to enable community organisations to participate.

I think in fact in the ACT there has been one round of auctions which was very restrictive and they are looking at a different way of enabling community participation in the next round.

**Mrs FYFFE** — Let us just explore the funding of the community places and how it works. You have got direct government grants, which is taxpayer-funded money, and you have got the people who own the actual buildings who will pay for the installation of solar panels, so when you talk about investment funds, who else are you targeting for investment? You have also got the feed-in tariffs that are used overseas and the reason they are not so popular in a wide way is because it is the ordinary electricity user who is paying for those feed-in tariff rebates. That is what happened in Germany.

**Ms PARLANE** — How it works is the investment comes from local community members who would like to have a stake in solar power.

**Mrs FYFFE** — So they buy shares?

**Ms PARLANE** — They buy shares, exactly. Anybody who has the money to do that can do that. The grant money that has been received so far is not part of putting the panels up. The grant money is usually to do things like—in the case of my organisation we were fortunate enough to have some support from the local council. We received a small grant which has enabled us to hire someone to do a brand for us, for example.

**Mrs FYFFE** — So it is not all volunteers? You said initially at the beginning that you were all volunteers.

**Ms PARLANE** — Our board is all volunteers, and our working group is all volunteers.

**Mrs FYFFE** — So, Les, are you a volunteer?

**Mr PRADD** — I most definitely am.

**Ms PARLANE** — And I am a volunteer.

**Mrs FYFFE** — Yes. Okay.

**Ms PARLANE** — But we have had grants so that we were able to hire somebody to do a brand for us—a small amount of money for that. We were also able to do some administrative things right at the beginning to set up the cooperative. But that is not about putting panels on roofs; that is about putting down the foundations of an organisation. I think we naively thought that we could do it without start-up funds, but we soon discovered that basically it was out of our reach. Some organisations are going to have a graphic designer on board and are not going to need the brand brief, but we did not have that. Some organisations are going to have an accountant on board and not need help with financial models, so it is going to depend on what the skills are. Anyway, coming back to how it works, community members are able to buy shares in the panels.

**Mrs FYFFE** — And these are offered widely? How do you find those investors?

**Ms PARLANE** — The experience interstate—in New South Wales, I should say, because it is the only place where it has so far been able to be achieved—is, for example, the most recent installation is one on a brewery in central Sydney. That was fully subscribed by investors on a Saturday night in 9 minutes.

**Mr PRADD** — We believe that there will be considerable demand...

**Ms PARLANE** — In the case of Repower Shoalhaven, which was one of the first to get up, I think they were fully subscribed in about 10 days for, I think, a \$120 000 installation. So there is an appetite in local communities for this kind of thing. There are not a lot of options. If you want to invest in solar, there are not a lot of options for the ordinary person at the moment. Actually that was part of my motivation. My husband and I wanted to invest in solar and we looked out there and we could not find where we could do that, so here I am four years later. All I wanted to do was invest in solar, but anyway!

Community investors. At first the community organisation finds the roof which fits the criteria. We organise a contract for the sale of electricity to that business, then we go out to the community for the investors, then we purchase the solar panels, we put them on the roof and the business pays us for the electricity generated by the solar panels.

**Mrs FYFFE** — So the owner of the building does not pay for the actual solar panels?

**Ms PARLANE** — No. That is right. Basically it is a way of bringing finance to the building occupier or building owner. It is a community partnership. You bring finance from the community, put it on the table and offer it to a local business.

**Mrs FYFFE** — Okay. So you purchase from the investment funds the solar panels, put them on the roof and then you sell the power to the business?

**Ms PARLANE** — That is right. Over a seven-year period, with the tariff that we set, we are able to pay back our investors plus a small dividend. Then we are out of the picture and the panels belong to the business. So we gift the panels to the business for the remaining life of the panels, which is probably going to be around 15 years or so. So it is a really neat way of bringing community finance in to support local businesses who might not otherwise have the finance to do so.

**Mrs FYFFE** — And if the business disappears?

**Ms PARLANE** — That is one of the big risks. That is right.

**Mr PRADD** — If you look at our risk register, that is the most substantial risk.

**Mrs FYFFE** — Of course. That is the nature of business.

**Mr PRADD** — Yes indeed. So one of the tools that we were seeking to get funding for from the New Energy Jobs Fund was a sales and marketing toolkit—credit checks; teaching people how to do credit checks or volunteers how to do credit checks was going to be part of that.

**Mrs FYFFE** — But they could still be credit worthy at the beginning, but by five years the business can just go because the business is no longer viable. It may have been five years before.

**Mr PRADD** — Yes, sure. This is a business like any other, but that is probably the substantial business risk for the potential investors, and it would be disclosed in our disclosure statement.

**Mrs FYFFE** — Okay. To go in and repossess solar panels would probably cost you more than what they were worth after five years.

**Mr PRADD** — Yes.

**Mr BOURMAN** — Not to mention what you would do with the investments that people have made.

**Mrs FYFFE** — Yes. That is what I am trying to get my head around from a risk point of view as an investor, but we are talking smaller amounts. You are not going out for a quarter of a million dollars from each person.

**Ms PARLANE** — Absolutely not. In the case of my organisation, we made the strategic decision at the beginning that we wanted to maximise community involvement, so we have made the decision that our shares will come in at \$500 a pop, whereas Les's organisation has made a slightly different decision. Each organisation is going to tailor their business model to their local community, and we made the decision at \$500 per share.

**Mr PRADD** — We decided to go with \$2500 because we think that there would be a considerable supply of people who would like to install solar panels on their roofs in and around the City of Yarra but are unable to because they are renting, their property is not suitable, they are in an apartment or there is substantial shading. It would be the equivalent cost of a small solar installation.

**Mr MELHEM** — Going back to the tariff issue, if a business wants to buy power from one of your projects, on price comparison between what you will be likely to charge versus that person just getting the feed from the grid. Have you done in your licence—was it 28 cents, 24 cents—in comparative terms between the two suppliers?

**Ms PARLANE** — Yes. Maybe if I give a concrete example. When my organisation started we had some conversations with the local council, and it looked like at first we might be able to offer a 99-kilowatt system, which would be our maximum, for the Coburg town hall, which has a perfectly located roof, is very high profile and would be a way of establishing the business model in the community mind. When we got down into the business model in detail, it turned out that the council was paying a minuscule amount for its electricity and there was no way we were even in the game. At the stage, without getting too specific, the council's tariff was about a quarter of what we would have needed to make the project viable. That was a big learning for us, so we knew that that kind of large organisation with a low tariff is not for us.

**Mr MELHEM** — Was the council paying a lower tariff? I am talking about consumption. Is that because they are getting a special deal? Sorry to interrupt, but continue.

**Ms PARLANE** — No, you are quite right. At home you are probably paying something like 27 cents a kilowatt hour. A business with a large consumption is probably paying 5, 10 cents a kilowatt hour. Wow! That was also one of those wow moments for me being involved in all of this.

**Mr PRADD** — You might pay a dollar a day to be connected to the grid, and they may pay many thousands of dollars to be connected to the grid, so it is a higher fixed charge and a much lower variable charge. This is an issue for anybody who is selling renewable energy to business.

**Mrs FYFFE** — I did not even know about that.

**Mr MELHEM** — Well, there you go! Is the argument about how much it is going to cost to actually generate solar power to sell to the market? That is what I was trying to get to. Is that competition between

solar panel/renewable energy versus the traditional method, because there has always been an argument about cost? Which brings me to the next question. What sort of technical issues? We have got regulations here to prohibit, for example, developing larger solar panel projects, more than 5 megawatt, for example. What sort of problems or technical issues or even...

**Ms PARLANE** — So you are thinking like a solar farm?

**Mr MELHEM** — If someone wanted to develop something of 10 megawatts, 20 megawatts—we have been talking about doing something in Mildura, for example.

**Ms PARLANE** — Just going back to my experience in Germany, riding around on their fabulous train system, as you are going north what flashes past you is lots of farmers' fields covered in solar panels, so the farmer has been able to, either in conjunction with the local community organisation or through a local co-op of farmers or whatever, install solar panels on the farm. That energy goes into the grid and they are guaranteed a price for a period of time. Community organisations cannot do that here, but we would like to.

**Mr PRADD** — One of the reasons why we chose rooftops is because there are so many people who are doing this and it is technically quite simple. If you are looking at establishing a larger solar farm, there are fewer people who have done that, but ultimately in the medium term that is going to develop, and there will be the technical expertise in Australia to do that on a far larger scale. So over time if the community solar sector develops, we will have a potentially larger pool of investors who will hopefully form alliances with some of these installers.

**Ms PARLANE** — I think one of our member organisations is looking at some of the how-tos for that at the moment on a peer-to-peer basis, from what we understand.

**Mr MELHEM** — Thanks for that. One last question from me. I know we were talking about targets of 40 per cent and 50 per cent, and the ACT I think was looking at 100 per cent, but where do you see that sitting with baseload power generation, which you will need for heavy industry, for example? I am just interested in your own individual opinions because you have been obviously working in that sector. Do you see there is a need for both, or is it one or the other? I am interested in your thinking on that.

**Mr PRADD** — We are a potential source of finance for the growth of renewable energy in Victoria. There are many other sources and many other commercial arrangements, so we are an emerging sector and we can contribute to the growth of renewable energy. It is going to take quite some time for the transition from coal fired to renewable, and hopefully we will be given the opportunity to grow and develop.

**Mr MELHEM** — Do you see that as able, for example, to supply Alcoa? Renewable energy will not be able to actually fire Alcoa or OneSteel, for example. They will still need some sort of heavy sort of industry lock, whether it is a gas turbine or it is...

**Mrs FYFFE** — To be able to continue.

**Mr MELHEM** — Yes, well, that is what I am getting into. How do you balance that? Are you aware of the technology, for example, where you have got...

**Ms PARLANE** — It is not my expertise at all.

**Mr MELHEM** — No, okay.

**Ms PARLANE** — I think you just have to look at what people are doing in other countries, and the development of solar thermal is obviously going to take us down the path of providing the equivalent of the old baseload.

**Mr PRADD** — The issue is of course what happens when the sun and the wind are not around. There is storage capacity. You may have seen in the last week that the cost of batteries has effectively...

**Mr MELHEM** — Gone down.

**Mr PRADD** — almost halved. So the technological advances are certainly there. There are also many other sources of energy storage. I do not think it is really a question of if it can happen; it is a question of how we make it happen because it absolutely has to.

**Ms PARLANE** — It will inevitably, I think.

**Mr CRISP** — I would like to talk about business model sustainability. Linda, you chose a cooperative. I am not sure what Les has chosen.

**Ms PARLANE** — The same.

**Mr CRISP** — In the longer term, you are dealing with shareholders but you have got a cooperative structure as the enduring business model. In mentioning that, what way can the Victorian Government assist in the development of those models and also the sustainability? What I am worried about is if after seven years it falls over, we are going to end up with all these assets lying around that no-one wants to take any sort of responsibility or liability for. So what can the Victorian Government do to assist those business models to be sustainable?

**Ms PARLANE** — I think that is a really good question. In fact one community solar organisation in Melbourne decided not to proceed because they did not think they could sustain themselves for the period of time that was required for the life of the assets that they would be installing. So I think it is a really good question.

In my organisation we are just starting to turn our minds to how we might set up a sustainable organisation in terms of bringing in people who are able to contribute and ensure that the organisation is maintained over time. I do not think anyone's got any easy answers for that at the moment, but I think it is around supporting organisations to recruit and train people. So in my mind the Community Powerhouses that we have proposed would have a role in building capacity in local communities to support these community-based organisations.

I think it is one of the reasons why I like the Landcare analogy with the Community Powerhouses because indeed one of things that Landcare has done over time is help build community capacity to maintain their involvement in Landcare activities. We are talking about very long-term issues there that are being addressed. So Community Powerhouses that are resourced to support local communities, I think, are part of the answer there.

**Mr NARDELLA** — Have you thought about other ways of reducing the risk, like insurance policies and those types of things? Have you had a look at those things? Are there insurers that are willing to take that on at a reasonable cost?

**Mr PRADD** — There are two forms of insurance. Firstly, the panels need to be insured, and, as part of our agreement with the rooftop host, we would recommend they take out that cost because they would be able to obtain that far cheaper than we would, as an extension to their existing insurance policy. It would also be appropriate for us to have directors insurance. It is not easy to find people who will do this for us, but we believe we have found a supplier.

**Mr NARDELLA** — Okay. The other thing is there are a number of groups around the place. My problem with the discussion that has occurred is that everybody is doing their little bits around the place and nobody comes together and says, 'Well, we've got an insurer that does this. That's what we've found. Is there anybody else that does this stuff? We need this work done here. Who's doing that work? Can we come together?'. How is that happening?

**Ms PARLANE** — That is what we are trying to do through the Victorian Community Solar Alliance actually. It has been, you might call it, organic growth, if you like, rising out of the needs of organisations as they have been painstakingly going through the process of working out what is community solar, how

can they do it, what are the complexities of the business model and what sort of organisations they need to be et cetera, all from scratch.

The alliance has been going on basically gradually over about 18 months, and you will be amazed. Everything so far has been done by email and telephone conferencing. We had our first face-to-face meeting of people from all over the state on Saturday, and there is total agreement that what we should be doing is looking to meet the collective needs of our 14 organisations. For example, we talked about how, following work that Les's organisation has done, we can address the need for a back office collectively on Saturday, and I think things like insurance are in the same boat. We will be looking at how we can address our needs collectively.

**Mr NARDELLA** — So have you had a look at philanthropic trusts? Have you got a DGR? Have you had a look at some of those options in terms of bringing in some of the funding to do that really base work so that people are not reinventing the wheel?

**Ms PARLANE** — Exactly, really good point.

**Mr NARDELLA** — So have you had a look at some of those options?

**Ms PARLANE** — The alliance is not incorporated at the moment, and maybe that is something that will come over time as things firm up. Some of our members have DGR status, so we might be able to work through our member groups rather than them receiving the philanthropic grants and administering them on behalf of everybody else, but at the moment the alliance itself does not have DGR status.

**Mr PRADD** — But what you are saying is there are all the signs of a sector or movement that is emerging, and it is moving in fits and starts.

**Mr NARDELLA** — All right.

**Mr CRISP** — You have talked a little about the energy distributors and how they can play a role in the market. What I would like is a little more information about how other jurisdictions have dealt with some of the issues that you raise in your submission.

**Mr PRADD** — By other jurisdictions you mean other states?

**Mr CRISP** — Yes, also other countries as well, but certainly other states is easier for us.

**Mr PRADD** — I am not really that familiar with New South Wales.

**Ms PARLANE** — Could we get back to you on that, do you think?

**The CHAIR** — Yes.

**Mr CRISP** — Thank you, if you would be happy to take that one on...

**Ms PARLANE** — We would be happy to. Did you speak with the Coalition for Community Energy, the national coalition?

**Mr CRISP** — Yes, we have.

**Ms PARLANE** — Because they would be much more able to answer that than we would be able to, I think.

**Mr CRISP** — That is fine. Peer-to-peer trading—we have talked a little bit about virtual metering and behind the meter stuff, but I am interested a little more in whether we have got some examples again, too, of where that is working and what is working.

**Ms PARLANE** — Nothing in Victoria so far as we are aware.

**Mr PRADD** — And it is emerging in other countries as well. Basically people are considering this because the technology for generation has changed, so it was not really practical to do this until you had your own solar installation. It is emerging, and I have had a little bit of a look at literature in other countries and it is also emerging there as well. I am aware of a number of issues, and there are a few trials that have been undertaken, I think, in New South Wales, and there may be one that is going to be undertaken here.

**Ms PARLANE** — We are quite keen to see some trials in Victoria. I think our member groups would be very keen if the Government, for example, was interested in having a bit of a trial of peer-to-peer trading that included a community solar organisation. They would be very enthusiastic to be a part of that, I think.

**The CHAIR** — If there are no other questions, then, Linda and Les, on behalf of the Committee, I would like to thank you for your contribution.

**Ms PARLANE** — Thank you for the opportunity.

**Mr PRADD** — Thanks for the opportunity. We really appreciate it.

**Witnesses withdrew.**