

# **TRANSCRIPT**

## **LEGISLATIVE ASSEMBLY ENVIRONMENT AND PLANNING COMMITTEE**

### **Inquiry into Tackling Climate Change in Victorian Communities**

Mooroopna—Wednesday, 12 February 2020

#### **MEMBERS**

Mr Darren Cheeseman—Chair

Mr David Morris—Deputy Chair

Mr Will Fowles

Ms Danielle Green

Mr Paul Hamer

Mr Tim McCurdy

Mr Tim Smith

**WITNESS**

Mr Geoff Lodge, Chief Executive Officer, GV Community Energy.

**The CHAIR:** Welcome to the public hearing. I just want to run through some important formalities before we begin.

All evidence taken today will be recorded by Hansard and is protected by parliamentary privilege. This means that you can speak freely without fear of legal action in relation to the evidence that you give. However, it is important to remember that parliamentary privilege does not apply to comments made outside of the hearing, even if you are restating what you said during the hearing. You will receive a draft transcript of your evidence in the next week or so for you to check and approve. Corrected transcripts are published on the Committee's website and may be quoted from in our final report.

Thank you for making time to meet with the Committee today. Could you please just state your full name and title before beginning your very short presentation.

**Mr LODGE:** Thanks, Darren. Geoff Lodge, CEO, GV Community Energy. We are a social enterprise not-for-profit company. We started trading in 2008, and in that time we have set up a governance arrangement with six voluntary directors and we have brokered over \$55 million worth of works, principally domestic and commercial rooftop solar. We have also worked in the space of energy efficiency and retrofitting with low-income households and have conducted 167 public seminars on energy efficiency and renewable energy.

The issues I wish to bring today revolve around some of the roadblocks that we are encountering in rolling out utility-scale projects. With the evolution of our company we are brought into play working in utility-scale projects. So we have a project that is working on 21 megawatts on council land in Mooropna, and we have a project in Moira shire of about 50 megawatts.

The roadblock is the grid is constrained. What it means is there are five commissioned solar projects in the north-west of Victoria that have now ground to a halt. They are operating at about 50 per cent capacity, and they have been instructed through AEMO to redesign and recommission. As part of that process every other project in Victoria, in the north of the state, is put on hold, and that includes our project. This will have a profound impact on investors. It is having a profound impact on our project. And we will not be able to continue in terms of the development, rolling out and commissioning of our project until these studies are done. The principal issue is that there is a lack of transparency in the grid. It is a very costly process to do the design and development of a utility-scale project, and we appeal to AEMO, the distributors and the State Government to step into this space to see the introduction of transparency.

As a social enterprise, relatively small company, we have partnered with an international developer that brings a level of expertise and a level of confidence to invest into this sector. But the consequence of the incident in the last month or so is shaking them to the core, and I dare say it will shake every other investor in this space. It is a profoundly significant issue that needs attention, and I trust that as part of this Inquiry you will inform yourselves and somehow introduce greater transparency so these developments can proceed. It is about recognising that as one of the key roadblocks that we are dealing with.

I would like to then move on to an issue relating to electricity tariffs. We have spent a lot of time with low-income households and interpreting electricity contracts, but what we have noticed in the span of over 30 years is if you go back 30 years ago and look at the differences between peak and off-peak electricity, it was about a seven-fold difference, whereas today it works out as a very small difference of around 20 to 25 per cent. This does not reflect the wholesale electricity prices. So what we are seeing is the manipulation and changing of the values between peak and off peak, and it is having a negative impact on the investment in behind-the-meter renewable energy projects.

**Mr FOWLES:** How?

**Mr LODGE:** What it is doing is the difference between the peak and off-peak power is getting smaller. So what we are seeing is that the electricity costs and solar generation are going up and the off-peak is going down, so it is weakening the business case. It does not reflect the market in terms of what is happening, so there is an opportunism from the electricity retail sector that is shifting the cost difference.

**Mr FOWLES:** So it is your contention that the retailers, either by coincidence or by design, are working to up the off-peak pricing artificially just to boost their bottom line?

**Mr LODGE:** Yes.

**The CHAIR:** Keep going, Geoff.

**Mr LODGE:** Okay. In terms of community grants and the role that they play, we have been a beneficiary over the 11 years of operation. We have been able to secure about \$3 million of government funds to initiate a range of activities which have both enhanced our penetration of the market and informed our local community of measures to reduce their carbon footprint.

I will pick up on the comments that were made by the previous speaker, David. I agree with him in terms of the model that is in play. I will give you a specific example: it is the 3CA grant that was announced only late last year as part of the Community Climate Change Adaptation program. In this region alone there were 33 bids totalling \$11 million, and there was \$1 million available. When you look at the two companies or two organisations that received funding under that program, with both of them all of their partners were either industry or statutory authorities or government agencies. In terms of the targeting of the funding, it was marketed as 'community', and the definition of 'community' was used in the broader sense. I appeal that there is a distinction made between the NGO—the non-government organisation—sector, the not-for-profit, as opposed to the industry, government and statutory authorities so we are competing for the same pool of community funds. It is very inefficient in terms of this whole tendering process. There are provisions within State Government through their procurement processes to do appointments without going through the tender, and with the appropriate safeguards in place I support the initiative that David was promoting as an alternative model. The model as it stands is very costly for the community.

Another initiative is the Solar Victoria rebate for domestic solar. Apart from a very rocky start where there have been very long delays in people being able to get registered and get the funding, to me there is a key weakness in one aspect of the design, and it is to do with when an applicant is eligible to get the grant. The key weakness is that if you are building a house, you are not eligible until you complete the building and the house has an occupancy certificate. So what that means is that within the new sector of houses that are being built they miss out or it is significantly delayed. There is no good reason other than that is the policy, because there will be a mechanism to safeguard and apply those grants for those houses and issue them—so do the design, do the construction and then apply the grant when the certificate is issued. It is a small administrative issue. It is one that my colleague has brought to the attention of the authority that are managing that, and they are not prepared to accept that, so again I ask that you have a look at it. These are small issues, but they can make a difference in terms of eligibility.

In a similar vein there is another State Government initiative called Savvy Upgrades. This is part of a statewide program and it was about targeting different regions. The Savvy Upgrades program that was targeted for this region has only recently been cancelled and amalgamated into a statewide program. The consequence of that is the local providers now have to compete on a statewide measure, and for that it can be counterproductive in seeing local buy-in. So again I appeal that in terms of when the Government is stepping in and rolling out programs it recognise that there is a whole network of community organisations across the state and to be competing across the whole state means that bigger organisations essentially will step in, and it will be at the expense of the smaller networks. It is the smaller organisations that are connected with the local communities, and they are being adversely affected under these measures.

There has been talk about utility-scale solar development occupying prime agricultural land in northern Victoria. There are now some planning provisions to address that, and anything over a 1-megawatt solar farm is taken out of the hands of local government to make the planning decisions and referred to the State level.

In terms of prime agricultural land in northern Victoria, in the Shepparton irrigation region the prime agricultural land is productive when it is irrigated. There is no shortage of land, there is a shortage of water, yet

the provisions are focusing on land and soil types and not water. Another impediment for strategic investment in renewable energy, this provision is very much a knee-jerk reaction and does not follow sound policy.

It was great to hear the presentations earlier today from the local government representatives. Sitting in the audience, for me there was a clear elephant in the room that none of the employees of local government authorities would be prepared to touch—and understandably—and that is the tensions between the council staff and the councillors because in this region the majority of councillors in many councils do not accept the science of global warming, so many of the initiatives that we have heard are hamstrung by the politics that is happening behind the scenes. Therein lies the challenge of informing and seeking commitments from local government councillors that the science is real and there is an emergency. It is important that you are aware of the local politics that is stymieing a lot of these developments.

**The CHAIR:** Thanks, Geoff. I had one question before we turn to my colleagues. Obviously historically the Victorian electricity grid is designed to move electricity from Gippsland across the west and to the north. That is how it has historically been designed. Obviously we are moving to a less centralised generation arrangement. What sort of funding might be required north of the Divide where we might have these solar opportunities? What sort of investments in the grid need to be made to enable additional energy being generated in the north to be distributed into the network? What is required to roll out—

**Mr LODGE:** The key thing to assist developers is transparency to understand where the opportunities are. The process, it is about how to reduce the risk to all of the developers and in doing so identify where the ideal spots are through the network to target the development. The difficulty with the current process is that you could have multiple developers currently developing a design and planning for a similar location and a similar spot and due to privacy constraints by both AEMO and the distributors none will be informed. So you will have multiple investments running in parallel and only one will get across the line. So it is about getting more transparency in these processes—not only identifying where the opportunities are but who is active in this space.

**Mr MORRIS:** So, Geoff, when you are saying opportunities you are talking about where the network has the capacity to take what is generated, basically.

**Mr LODGE:** Absolutely, yes. And there is a disconnect between the solar resource and the opportunity. So what we have seen is a lot of developers have moved into the north-west where the solar resource was great but the grid is not and it is weak, and that has created problems.

**Mr MORRIS:** Yes, a mismatch between the two.

**Mr LODGE:** Whereas down here there is less of a resource—much more than if you are south of the Divide—but there is an intensity in the grid that will benefit from that.

**The CHAIR:** Just to pick up on that point, should the Victorian government effectively require an annual publication as to where the grid has additional capacity and where the grid is at close to capacity? Should that be a function of the State Government so that developers can say, ‘Well, I want to get into the space of developing a solar energy project’, and they can look at a map and say, ‘Well, I can see that this geographic area’, wherever that might be, ‘is capable right now of carrying additional capacity. That’s where I’m going to focus my effort and my investment’. Would that be a worthwhile thing for the government to do?

**Mr LODGE:** Yes. The difficulty is that the network is owned privately so there is a commercial IP element to that, but it is also a roadblock and an impediment to investors. So since there is a need to deploy and a rapid uptake of renewable energy, that is imperative. This is a roadblock that needs a closer look.

**The CHAIR:** Thank you.

**Mr LODGE:** Our funding model, there are two funding models. We currently are partnered with a developer and we will be commissioning a project in due course. We will also be expanding and inviting the general public as part of a coinvestment. So it is another model getting more buy-in beyond just the corporate sector.

**The CHAIR:** Fantastic. Colleagues, any further questions?

**Mr HAMER:** Following on from that, do electricity distributors not have that system in place? In a lot of other utilities if you are putting in a new subdivision or whatever, say the water authority will have various plans for saying, 'That is a contribution that they need to make to allow for an upgrade of the trunk mains'. Do distributors not have those systems in place, like when someone comes with an application that that will be available to them?

**Mr LODGE:** When a development comes with a specific site, then the study needs to be done of that section of the grid.

**Mr HAMER:** Are they looking at it in isolation?

**Mr LODGE:** Yes.

**Mr HAMER:** They are not looking at it as a strategic—

**Mr LODGE:** To what extent the distributors understand their network, I cannot speak on their behalf. I do not know.

**Mr HAMER:** Yes, I know, but let us say from your perspective of helping the developers.

**Mr LODGE:** From our perspective, we need to come with a specific site and then there will be a specific study of that specific site. Then if you want a broader study, come back with another site.

**Mr HAMER:** And you are not given the information about the network or other—

**Mr LODGE:** That is right.

**Mr HAMER:** You are just relying solely on the information you are given.

**Mr LODGE:** And that is what we are appealing and saying there needs to be a relook, a rethink on how to make this more transparent, because what we are now experiencing, one of the consequences is when all of the developing projects are going to be put on hold—and the time frames around that, as we have been alerted to through Powercor in recent time, is somewhere between 12 months and two years. This is a significant impediment that we are going to see, and it was broadcast in the *Age* earlier this week. So it is in the public domain, but I just appeal to you that this is a significant impediment.

**The CHAIR:** Thank you, Geoff. Colleagues?

**Ms GREEN:** I was having a look at your website while you were talking, and I saw that you had been a recipient of the Victorian Healthy Homes program and that your recruitment for participants is occurring last year and this. Will that be oversubscribed? How are you going with that?

**Mr LODGE:** Yes, it is fully subscribed and was oversubscribed. A great program, interactive with four of the local municipalities. There is a clear need to have low-income households and this program is providing a mechanism, and importantly what it is doing is measuring people's health to quantify the health benefits of living in a cooler home. It is a great initiative. For a modest amount, in this case it is about \$4000 to \$4500, you can make a significant difference in retrofitting a house and making it a lot more comfortable. It is not hard to do. It is not rocket science. You do not need big budgets. We have been involved in other projects dealing with retrofits—keep the sun off the north-facing windows, seal up the houses, sort out the insulation in the roof. It can make a big difference with a small budget, and this particular program is getting some good science behind it and quantifying it, and in doing so not only monitoring what is happening in the house but what is happening to the people in the house. It is a great initiative, and the local government authorities in this area are involved with us on that.

**The CHAIR:** Terrific. Thanks, Geoff, appreciate it. We were happy to accommodate you.

**Mr LODGE:** Thanks, Darren, for the opportunity.

**Committee adjourned.**