

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into the 2022-23 Budget Estimates

Melbourne—Thursday, 19 May 2022

MEMBERS

Ms Lizzie Blandthorn—Chair

Mr Danny O'Brien—Deputy Chair

Mr Rodney Barton

Mr Sam Hibbins

Mr Gary Maas

Mrs Beverley McArthur

Mr James Newbury

Ms Pauline Richards

Mr Tim Richardson

Ms Nina Taylor

WITNESSES

Ms Lily D'Ambrosio MP, Minister for Solar Homes,

Mr John Bradley, Secretary,

Ms Anh Mai, Deputy Secretary, Energy,

Mr Mark Briglia, Acting Chief Financial Officer,

Ms Kate Barnes, Executive Director, Customer Experience,

Mr Paul Corkill, Executive Director, Policy, Programs and Industry Development, and

Mr Graeme Emonson, Deputy Secretary, Corporate Services, Department of Environment, Land, Water and Planning.

The CHAIR: I declare open this hearing of the Public Accounts and Estimates Committee.

I ask that mobile telephones please be turned to silent.

I begin by acknowledging the traditional Aboriginal owners of the land on which we are meeting. We pay our respects to them, their elders past, present and emerging as well as elders from other communities who may be with us today.

On behalf of the Parliament, the committee is conducting this Inquiry into the 2022–23 Budget Estimates. The committee's aim is to scrutinise public administration and finance to improve outcomes for the Victorian community.

I advise that all evidence taken by the committee is protected by parliamentary privilege. However, comments repeated outside this hearing may not be protected by this privilege.

Witnesses will be provided with a proof version of the transcript to check. Verified transcripts, presentations and handouts will be placed on the committee's website.

We welcome Minister D'Ambrosio again, this time for the solar homes portfolio. We invite you to make a short presentation, which will be followed by questions. Thank you.

Visual presentation.

Ms D'AMBROSIO: Thank you very much, Chair. We have a series of slides, so I will just step through these. With the solar homes portfolio, in this budget we have received a boost to the program. What will happen is that this funding will be for Solar Victoria to continue to provide solar and battery rebates to eligible households to install solar PV or battery storage systems.

The budget provides \$26.3 million output funding and \$20.9 million of asset funding to build on the success of the Solar Homes program to date and to make switching to solar more affordable than ever, and this includes \$42.2 million of investment in solar PV and a \$5 million investment in battery systems. We are maintaining the current rebate and loan values for households installing solar PV systems, with 64 000 solar PV rebates available. We are also providing additional solar battery rebates at a \$2950 value, helping more households to maximise the value of their solar. 1700 new solar battery rebates will be available, bringing the total number of battery rebates available in this coming financial year to 5200. This investment will ensure that the Solar Homes program continues to support Victorian households to install solar at their home and save hundreds, if not more, on their energy bills each year as well as reducing their emissions.

Now, the next slide, just a quick reflection: in July 2019 Solar Victoria commenced as a separate portfolio responsibility within the department, and it was charged with delivering rebates under the Solar Homes program to eligible households and working with the associated industry, regulators and training organisations. It has got a really strong footprint in the Latrobe Valley too, with the call centre, which is working really nicely. As a trusted delivery agency, Solar Victoria has since expanded to also deliver the solar for business program, the home

heating and cooling upgrades program and the zero-emissions vehicle subsidy program. SV's programs are supporting Victoria's renewable energy transition and helping Victorian households and small businesses manage their energy costs now and into the future as we continue to recover from the impacts of COVID.

Our government is committed to supporting the valley. I mentioned that Solar Victoria have moved into the new \$30 million GovHub building in Morwell—they did that in 2021, but they existed before then in the Latrobe Valley and were waiting to be able to move into that upgraded hub. Seventy-three new roles have now been created in Gippsland, extending the government's original commitment of up to 50 new jobs in the Latrobe Valley through Solar Victoria.

Now, the next slide takes us to a little bit more detail about the four significant programs which are helping households and businesses reduce their energy costs but also supporting jobs, with new jobs being created, supporting innovation and helping meet Victoria's ambitious renewable energy and climate change targets and accelerating Victoria's path to net zero emissions. I know time is ticking away, but I am happy to just quickly touch on those. The programs are the Solar Homes program, the solar for business program, the home heating and cooling upgrades program and the zero-emissions vehicle subsidy program. Those are four seminal programs that Solar Victoria has been able to step up, expanding its role and providing these in a very, very effective way.

We are also investing \$11 million over the life of Solar Victoria's programs to deliver comprehensive training and workforce development packages for the solar and HVAC industries. This includes dedicated initiatives supporting women in the solar industry, including apprenticeships, workshops and career and professional development mentoring, and of course this is about making sure that our workforces have the people and skills that are needed to deliver these important programs and support our state's renewable energy transition.

The next slide talks about a number of the achievements to date. I do not have much time, but there are lots of them here. More than 200 000 customers have now got solar PV on their roof through the program—or have got solar, most of which are solar PV; some are batteries and some are solar hot water. That is 1.21 gigawatts of new solar PV generation capacity installed—that is significant. Plus of course I am happy to elaborate on any of the other achievements in the post-presentation phase.

The CHAIR: Thank you, Minister. Mrs McArthur.

Mrs McARTHUR: Thank you, Chair, and thank you, Minister. In the 2021 VAGO report into Solar Homes it was noted that you could not detail how much Victorians would save under the then \$1.3 billion investment. Do you have that exact number now?

Ms D'AMBROSIO: Well, look, we know that the Solar Homes program right now is saving customers—customers that have installed solar PV systems have an average annual bill saving of \$1073. That is in fact much higher than the original program estimate of \$890. That result is based on a 2019–20 study of a sample of Solar Homes customers. We have gone to the source of the PV systems, the actual households, asked them and this is what they have told us, so that is a resounding tick to our estimates. In fact it has gone beyond that. We understood what the benefits could be, and the benefits are astounding. Every single year Victorians who have been assisted to participate in this program are enjoying an average annual bill saving of \$1073 each and every year for the life of those panels. That is significant. That basically wipes your bill, really. That is an amazing result.

Mrs McARTHUR: Minister, this number will obviously be affected by feed-in rates. You will confirm that. If so, what feed-in rates were used in that modelling to get that figure?

Ms D'AMBROSIO: The modelling of the initial Solar Homes program, is that what you want?

Mrs McARTHUR: Yes.

Ms D'AMBROSIO: Yes. Well, that would have been, I think, whatever the rate was at the time projected against trends or anticipated changes in wholesale prices, I would have thought. Yes. But can I say to you: these are the actual savings. These are the actual savings from that updated work that we have done. You cannot get any more real than this—\$1073 each and every year.

Mrs McARTHUR: Minister, do you accept that as more households take up solar there are limitations on benefits for consumers taking up this program?

Ms D'AMBROSIO: I think the proof is in the pudding. We can see that right now in Victoria, thanks to our renewable energy agenda, people have got the lowest power bills they have had in five years—the lowest. That is because of our large-scale renewable energy projects pushing down the costs of power and therefore the prices of power and access to the rebates through our Solar Homes program.

Mrs McARTHUR: Minister, how long would it take for an average solar PV system to pay for itself under a zero feed-in rate, noting that some systems typically must be serviced every two years?

Ms D'AMBROSIO: Well, what I am saying to you is the actual savings are here, as I have said to you. Now, the feed-in tariffs have gone down because the cost of power has gone down, and whichever way you want to factor it in, there are net savings from day one for households, whether they are on the current feed-in tariff, which everyone has access to, or any pre-existing tariffs which were set at a higher rate.

Mrs McARTHUR: Okay. Minister, you have personally claimed that the 2022–23 budget will help even more Victorians subscribe to the Solar Homes program. If this is the case, why on budget paper 3, page 168, does Solar Victoria have their output budget cut by 36 per cent, year on year?

Ms D'AMBROSIO: This will go to the question of the difficulties in being able to undertake works because of COVID settings. Certainly the industry generally has seen pressure downwards across the country, but also globally—we have seen that right across the country, frankly. We are continuing to see improvements in the pick-up of solar installations, and so the estimates that are included in the budget are a reflection of that situation.

Mrs McARTHUR: Thank you, Minister. How many executives, full-time equivalent, currently sit on Solar Victoria?

Ms D'AMBROSIO: Paul, would you like to—

Mr CORKILL: Yes, I can answer that. If you just bear with me for a moment so I can give you the exact figure. Thank you. The number is 13 executives across Solar Victoria.

Mrs McARTHUR: Perhaps, Mr Corkill, you could answer the next question. Could we have a breakdown of the wage bands of those working at Solar Victoria?

Mr CORKILL: I think we will have to take that one on notice.

Mrs McARTHUR: Okay. Thank you very much. Minister, I will go back to budget paper 3, page 179, where you have stated that:

The 2021–22 expected outcome is lower than the 2021–22 target due to COVID-19 impacts on small business cashflow and business confidence—

for PV solar targets.

So, Minister, people are still feeling the financial impacts of this government's woeful handling of COVID. So what makes you arrive at 5000 for 2022–23?

Ms D'AMBROSIO: Well, that is advice on industry sentiment, and we work very closely with industry. In fact we have got a reference group where we have consumers and industry represented there. That is on the best advice of that information and of course the departmental advice. But we need to also understand that Solar Homes is a 10-year program, and we necessarily want to make sure that we have got a flexible approach to reflect changing economic circumstances and scenarios, and that is why you will sometimes see that there is some variations in budget papers from year to year.

But what we are doing, though, is we are still allowing 64 000 rebates. And when you think about that, if you were to multiply that by 10, that sort of contributes to our ultimate goal of how many solar PV and hot water

systems that we want to see in people's homes over a 10-year program. So that aligns with the peak demand periods, too. I think that is the main one that deals with that question, is that right?

A witness interjected.

Ms D'AMBROSIO: Yes.

Mrs McARTHUR: Okay, right.

The CHAIR: Thank you. I believe Mr O'Brien just wants to clarify one—

Mr D O'BRIEN: Just on indulgence. Sorry, Minister. I did not pick up in your presentation, was it 32 staff now working in Morwell at Solar Victoria?

Ms D'AMBROSIO: No—

A witness interjected.

Ms D'AMBROSIO: Seventy-five.

Mr D O'BRIEN: Seventy-five.

Ms D'AMBROSIO: We did commit to having 50 staff at Latrobe Valley. With the expansion of the programs it is now—I cannot remember what it was—73, I think I said. Yes? Thank you.

Mr D O'BRIEN: Thank you.

The CHAIR: Mr Maas.

Mr MAAS: Thank, Chair. Thanks, Minister, and thanks, department officials. Minister, if I could take you to the 'Solar Homes boost', and there is a line item in the output initiatives noted at budget paper 3, page 27, of \$26.3 million. Could you explain how that investment will make accessing solar panels easier and cheaper for Victorian households?

Ms D'AMBROSIO: You will know that the Solar Homes program very much leads the country in reducing the energy bills of hundreds of thousands of Victorians, and I have referred to some of those figures. We are delivering renewable energy benefits for all Victorians, which is part of the statement that I have made a couple of times—certainly in the earlier part of the PAEC hearings.

The Solar Homes program continues to help Victorians to have access to the benefits of renewable energy, and we are doing that by reducing the up-front costs of solar PV systems, batteries and water heating. So since we launched this in August 2018 the program has approved more than 200 000 rebate applications, with total rebate payments exceeding \$381 million. More than 195 000 households have installed a solar PV system, solar hot water system or solar battery at home since the launch in 2018. So the boost provides this additional funding of \$26.3 million, and that will continue to provide solar battery rebates to eligible households to install solar PV or battery systems. Now, we are maintaining the current rebate value and the loan values for households installing solar PV systems and battery systems. We are doing that, and this will make it easier.

We have also of course made an announcement that those people who have taken up a rebate for solar PV systems are now also eligible to apply for a rebate for solar hot water. Again, we are just making it easier for Victorians to have both, and some are very happy to have both—they really want that. This is part of our ongoing consultation and engagement with industry and consumer representatives so that we are hearing from them. It is a 10-year program, and if we need to make some variations during the journey so that we are the most responsive we can be to community sentiment and industry sentiment, then that is what we do. So I am really pleased that we are able to make even more rebates accessible to even more Victorians now through this variation.

Mr MAAS: Excellent. Thank you. I am interested in the highest take-up areas. Minister, would you be able to outline for us where in Victoria we can expect the investment in solar PV to make the most impact and what suburbs are leading in installations within the Solar Homes program?

Ms D'AMBROSIO: Thank you. This is really an amazing story, and it is real evidence to show that the design of the program is really making it accessible to people no matter where they live. Our top 10 most popular suburbs for solar PVs are in the outer suburban Melbourne area, including Tarneit, Point Cook, Truganina, Werribee, Craigieburn, Wollert, Clyde North, Pakenham and Berwick, and it is also of course in Cranbourne East. And that program is reaching working families that are looking for ways to take control of their energy bills and improve their standard of living. But what is really important here for us to understand is that Solar Victoria in the department does customer satisfaction surveys—if you like, follow-up—in terms of how they feel about their rebate and their new systems, solar or solar hot water. The overwhelming majority of them—88 per cent—rate Solar Victoria's service as good or very good, and 88 per cent of Solar Homes customers have also told us their experience with the Solar Homes program has met or exceeded their expectations. But also I believe that there is another figure which says that 72 per cent would not have been able to make the decision to buy solar if it had not been for the program—that is 72 per cent. So you really can see both how we are making the energy transition and the benefits coming out of that, whether it is bill savings, creation of jobs or really equipping people to actually do something and contribute to reducing emissions for the good of everyone. This enables them to do all of that, and they have got that ongoing each and every year.

Mr MAAS: Terrific. It is not surprising to hear that. Particularly out my way and Ms Richards's way, we see that solar panels are everywhere, so it is good to hear that suburbs in our electorates are in that top 10 list. What about renters as well? The line item also refers to renters. Would you be able to elaborate on the support that Solar Victoria is providing to renters to access renewable energy?

Ms D'AMBROSIO: Yes. Thank you. One of the things that I was very committed to doing in the design of the programs was to see if we could crack what is a very difficult and complex area of policy and delivery of benefits, and that is people who rent a home. They do not own their home, so they cannot make decisions about what can be installed on their home, on their rooftop or indeed with solar hot water systems.

We had some very significant consultations around how we could have a benefit, really, that could be enjoyed by both the owner but also the immediate benefits of bill savings still being received by the tenant, and we were able to achieve that. To date we have approved more than 2600 applications and supported more than 2500 solar PV system installations on rental properties. So 2600 applications have been approved, 2500 have been installed, there is an extra 100 coming through for installation, and the total rebate payments approved have exceeded \$4.5 million.

Now, we do have a top 10 popularity list for rental properties and solar PV.

Mr MAAS: Oh, here we go.

Ms D'AMBROSIO: We will go for it now. Our top 10 most popular suburbs for solar for rental rebates include Tarneit, Truganina, Point Cook, Hoppers Crossing, Pakenham—you can see the similarities to the home owners—Berwick, Craigieburn and regional centres such as Shepparton, Wodonga and Mildura. This is amazing. And 51 per cent of rental provider applicants have also opted for the interest-free loan, which is really good. Even with the loan, you are still saving net savings up-front everyday, because you space out the repayments for the loan off your bill so that you are still ahead on your bills from day one, which is really terrific. It is not an easy area, getting that. We are the first jurisdiction in the country to have tackled it in a way that is actually getting some really good results. I hope we can keep growing that number, but 2600 renters out there now who could only have ever dreamed of being able to have solar have now got solar and are getting the bill savings, which is something that is really pleasing. We keep looking for new ways to make it easier for them, including of course promoting the rentals rebate to the real estate industry and the community sectors, and we are also using additional channels to raise broader community awareness.

Part of Solar Victoria's role is not just waiting for applications to come in, it is about actively promoting the programs, because we know the benefits that people will have if they are engaged. They are engaging with Victorian property managers and real estate agencies directly, delivering workshops, and have developed tailored communication packs for use by property managers to engage rental providers, who are the key to the program's success. If you can get to the real estate agents and the ones who manage the properties, they can start thinking, 'Oh, this might be a good selling point'—a selling point that is a good rental point for the product, if you like, if you think about it just purely in retail terms. We continue to do that. The Real Estate Institute of Victoria, as I said, is a really important partner here. And Solar Victoria actively goes out and has

community events. Some of you may have seen them in your communities. They go to the events and festivals. In fact I think Solar Victoria was at the home show that was on a couple of weekends ago. I might ask Solar Vic to just report on how many people came through there and—

The CHAIR: Sorry, Minister. The time has just expired.

Ms D'AMBROSIO: Oh, bad luck. Okay.

Mr MAAS: Thanks, Minister.

The CHAIR: Mr Hibbins.

Mr HIBBINS: Thank you, Chair. I want to ask about the EV rebate, which Solar Homes administers. Now, my understanding of the eligibility is that vehicles must be delivered and registered with VicRoads within a maximum of six months from the date the customer enters into the contract of sale. Now, many EVs are actually taking potentially more than six months from sale to delivery. Is that six-month clause being strictly enforced, or is there some flexibility there?

Ms D'AMBROSIO: Look, my understanding is that there is flexibility there, because of course with supply chain challenges globally there is a lag between allotting a rebate and having the vehicle arrive. But perhaps Solar Victoria can give us a little bit more granular information on that, if I may.

Ms BARNES: Thank you. There is no automatic expiry, and we manage them with the supply chain as well. So we are in close contact with all of the dealers and limitations on delivery, but we do not automatically expire an application. We are obviously taking into account, with the supply chain, it is taking longer for some cars to be delivered and registered.

Mr HIBBINS: So is that being communicated to potential EV buyers? Is the six months now gone if it is due to supply chain issues?

Ms BARNES: We communicate it directly with our dealers, and they communicate that with their customers.

Mr HIBBINS: All right. Thank you. And is there any maximum allowable time?

Ms BARNES: There is no maximum time.

Ms D'AMBROSIO: Once the rebate has been approved, it is sitting there and it is next to the owner's name, so it is really just a matter of time for the vehicle to arrive.

Mr HIBBINS: Thank you. I just want to pick up on the discussion about the renters, because I think we cover this off every time. You have outlined the figure of 2600 overall, but the target was 50 000. I mean, going at that rate we will be lucky to get to get to 10 000 by the end of the program. Is there now a revised target for renters at less than 50 000?

Ms D'AMBROSIO: We set ourselves an ambition, and our point is to continue to look for ways to grow the accessibility of the program. Like I said, no other jurisdiction has done this. We are going to be offering 4000 rebates for renters in this coming financial year, absolutely. That will continue to build towards what our original target was. So we have not given up on that, absolutely not, but this is something new. It is unique. No-one has ever cracked this nut. We are starting to crack it. We have already got some really good benefits out there for consumers, and we will keep working on ways to improve the uptake, because we know that this will provide fantastic benefits for everyone, including of course the renters first and foremost but owners too. As I mentioned earlier, Solar Vic is always out there finding new ways to be able to get the message across to make it as easy as possible to access the rebate and not get caught up in bureaucratic processes.

Mr HIBBINS: Thank you. Finally, can you provide the committee—and I assume this will be on notice—a breakdown of all the rebates you are offering on solar, on EVs and I think on hot water as well by postcode? The same goes for solar and renters as well. Can that be provided to the committee?

Ms D'AMBROSIO: Yes, we should be able to do that.

Mr HIBBINS: Thank you. Thanks, Minister. Thanks, Chair.

The CHAIR: Thank you, Mr Hibbins. That concludes the time we have set aside for consideration of the solar homes portfolio with you today. Thank you for appearing before the committee. The committee will follow up on questions taken on notice in writing, and responses will be required within five working days of the committee's request.

The committee will now take a short break before moving to consideration of the local government portfolio at 3.20. I declare this hearing adjourned.

Witnesses withdrew.