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Economic, Education, Jobs and skills Committee Victorian Parliament Inquiry into Community Energy Projects:

Submission: Energy Innovation Co-operative Ltd

Introduction to Energy Innovation Co-operative Ltd.

The Energy Innovation Co-operative was initially established in 2009 as a trading Co-operative with shares. Its mission is to “work together towards a zero emissions community”. The Co-op is run by a board elected by the members, and accounts are audited annually. Most of the now 300 + members and activities are within Bass Coast and South Gippsland Shires and surrounds. But the rules do not specify a geographic boundary. Some members come from much further afield.

With financial support from Sustainability Victoria during 2010-2012 through the “Climate Communities” and “Solar Hubs” programs, the Co-op undertook multiple workshops and activities in many communities across Bass Coast, South Gippsland and Cardinia Shires, assisting householders and businesses to become more energy efficient, and facilitating the installation of over 650kW of solar PV.

Following changes in state government policies which would not accept that the Co-op operated as a not-for-profit, in 2013 the Co-op changed its rules to become a non-trading Co-operative with shares.

With mostly volunteer effort, membership funds and some limited local government support since then, the Co-op has continued to offer community workshops, field days, access to energy auditors, a regular newsletter and phone advice on energy efficiency and renewable energy. Concurrent with these activities is a continuing effort to develop, plan, build expertise, find funding and support mechanisms for multiple community owned renewable energy generation projects in our region.

Response to Terms of Reference:

Term of reference 1: Look at the potential role of co-operatives, mutual societies, social enterprises and community ownership in the energy sector.

Each of the organisational types mentioned in TOR 1, ie co-operative, mutual and social enterprise, is a specific type of legally constituted, formal organisation, subject to regulatory oversight, financial auditing, management rules and standards. Each is publically accountable in ways similar to corporations and companies, and much more publically accountable than individually run business operations.

The crucial difference between co-operatives, mutuals and social enterprises compared to corporations, is that the former have as a core and integral feature, social goals and values far



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beyond the company/ corporation priority goal of producing maximum financial returns for shareholders/ owners.

The Energy Innovation Co-operative Ltd aims to bring people in our communities together for a shared purpose, to work closely together to deliver social and environmental outcomes, ie “to work together towards a zero emissions community”.

This “bringing people together for a shared social and/or environmental purpose” is our strength, our “niche” in a crowded market.

Community ownership in the energy sector is not in itself a type of organisation.

The Energy Innovation Co-operative’s effort to establish community owned renewable energy generation is happening within a highly accountable, ethically based organisational framework. Our highest priority goals are to deliver social and environmental outcomes.

The financial sustainability of any project is an essential priority. It is not **the** primary driver. As a collective membership, we have come together because we want to help our community reduce our collective carbon emissions, with the intention of doing our part to save the planet from runaway climate change. That is the primary driver of our actions.

Our initial projects will be based on a donation model, because we see that as more possible within our particular rural, small community environment. As the regulatory environment becomes more favourable, we hope to establish investment based projects. In the latter, financial returns to mostly locally based investors will provide further social benefits to our local community. The multiplier effect of local investment is ongoing and significant.

But the **primary driver** continues to be the social and environmental objectives. The finance is a necessary, but not sufficient objective.

Community energy is a fast growing niche in the energy market. It’s needed. It’s happening because it is needed. It’s being driven from below, from communities in search of better answers to their needs and their priorities.

The currently dominant energy industry structure is failing to meet community needs and priorities.

This is a failure in the current market. Co-operatives and community-run social enterprises are addressing that market failure via a range of community owned energy models.

With some further focused government regulatory and financial assistance Co-operatives, mutuals and social enterprises will be able to address that market failure ethically, with positive social and

environmental outcomes, more efficiently than is possible in Victoria at the moment. Other states have done more than Victoria so far.

Power generation in Victoria is dominated by multinational corporations still resisting change. Change is hampered by pricing which currently takes no account of the environmental costs of the generation. Profits go mostly overseas.

Community discontent over environmental damage and over rapidly rising prices began the grass roots-led drive to household solar which has been so successful over recent years.

Community discontent over the costs and environmental damage, plus the desire to work together for community benefit, is what is leading this next phase of community owned renewable energy generation.

At present a niche gap of 50 kW-10 or more MW (mostly wind and solar generation) is being filled by community owned systems run by ethically focussed, publically accountable Co-operatives and social enterprises, often in regions where capital investment or credit is hard to source or just not an option. This spreads the load, spreads the benefits (and keeps them in the region) and spreads the risk.

The formally structured, ethically focussed, community based Co-operative or social enterprise can fill that market gap, and provide a safe mechanism for locating and harnessing capital to build renewable power generation.

Distribution networks are run by foreign-owned, mandated monopolies with government regulated profit margins. Profits go overseas, providing no value to the local community. Much of the reputational risk remains with governments. It is governments who shoulder the community outrage when the system breaks down through insufficient maintenance and investment.

The problem with monopolies is that they have insufficient incentive to properly service their customers. eg.

- Ausnet Services, ten years or so after individuals were required to pay for their own “smart meters”, still don’t have the system on line so householders in southern Gippsland can access real time, “time of use” data on their energy use.
- Distribution costs are becoming a larger and larger proportion of electricity bills, a fixed cost which the customer has no power to influence, no capacity to reduce, no redress against.
- Rural land-owners are expected to pay extraordinary costs to install new mains power lines. Most of Victoria would have been forever electricity-deprived and development-deprived under this model.



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Ausnet Services still has only one main employee capable of and authorised to provide permits for larger solar PV systems on businesses and households, causing intolerable and costly delays.

This is a market failure. Under the right regulatory environment, community owned energy generation and local distribution networks can provide some competition for this outdated and clumsy monopoly system.

Importantly they can also provide a significant incentive for the distributors to lift their service levels to avoid a “death spiral” of decreasing numbers of customers on their network.

It is the rising popularity of distributed energy generation which is finally encouraging organisational change within our electricity distributors, even finally (to a still limited degree) Ausnet Services. The current planning and negotiations for community owned renewable energy generation projects being undertaken by Co-operatives such as the Energy Innovation Co-operative, is encouraging a more positive attitude from previously unresponsive monopolies such as Ausnet.

Energy Retailers

There are about 22 **energy retailers** in Victoria, which seems the opposite of the distribution monopoly. Yet customers are confused about their bills, constantly harassed by on-line marketing which adds to the confusion, and greeted with information which is put in such a way as to make comparisons difficult.

This is not an efficient sector of the industry. It disadvantages those least able to afford it and those without access or the skills to do on-line comparisons. Disconnections are at an all-time high. Again most profits go over-seas.

Whilst community owned electricity generation does not necessarily replace the services of the retailers, the community built up around such projects, and the environmental and social objectives of that community sector, provide locally -based and trusted support to their members and communities, ensuring a better-informed customer, and a better supported consumer.

The Energy Innovation Co-operative routinely offers information, workshops, gatherings and/ or individualised phone support to assist our communities with understanding electricity bills and helping people make better decisions on retail services. Most of the other Co-operatives and similar community groups offer the same services.

One community owned retailer in NSW (ENOVA) is providing direct competition to the multinational owned retailers, again with the additional social and financial benefits offered through local profits returning to their local communities. Such a set -up is not yet possible in Victoria, but with the right regulatory environment could be. Again this would provide a more significant competitive environment encouraging more focused customer service from existing retailers.

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Co-operatives, mutuals and community based social enterprises help counteract the market failures inherent in our current system. They have the potential to do much more. With the right regulatory framework, Victoria too could have a community based retailer to offer essential competition to the current confusing and unsatisfactory retail offering.

Term of Reference 2: Investigate the benefits of Community owned energy programs

There are already well documented reports on the benefits of community owned energy programs including:

1/ **“Community Energy Collective Impact Baseline Assessment”** (Appendix C of National Community Energy Strategy C4CE :Coalition for Community Energy) March 2015 –Attached.

2/ **“The Collective Impact of Community Energy Projects across Victoria”** by Keith A Reynard June 15 (Masters studies paper). Keith works with Greater City of Bendigo Council and is part of Bendigo Sustainability Group.

3/ The Victorian government’s **Guide to Community –Owned Renewable Energy for Victorians** Nov 2015. To quote: “The government considers community development of sustainable energy projects as a key feature of Victoria’s future energy landscape. CE (Community Energy) projects provide a tangible way for urban, regional or remote communities to help achieve this aim by transforming their energy supply to be a cleaner, safer and more sustainable” (p7)

The current Victorian government is already providing support to a number of community energy (CE) projects across the state because it has already recognised and committed publically to CE as an important part of the clean energy mix it wishes to encourage across the state. The Energy Innovation Co-operative recognises and appreciates these efforts so far. We hope our region will soon benefit from some similar support.

The Energy Innovation Co-operative is working collectively with other groups across the state and across the country, including with the Victorian Community Solar Alliance and C4CE. This broad community-based collective effort is helping us build our locally based skills, and increasing our capacity to achieve local community objectives. It is the rise of the community energy sector which has brought us into contact with these other, often better resourced and better skilled groups. Our community is benefiting from this skills transfer.

In 2010-2012 our community experienced the benefits of a type of “community energy” project, when the Energy Innovation Co-operative Ltd made a successful application to form the “Southern Solar Hub” under Sustainability Victoria’s Solar Hubs program. We were the smallest of the Hubs, but our efforts facilitated the installation of around 650 kW of solar PV across our region of small towns and farming communities.



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At the time, there was very considerable community interest in solar PV, but considerable confusion and lack of knowledge by most people, mixed in with generous feed-in tariffs and government subsidies. This is a potent mix which encouraged a huge rise in often fly-by-night solar companies, making extravagant promises and setting traps for the unwary customer.

Our organised, community-based efforts were an effective counter to that danger to our community. Our many information sessions were fact based, customer focussed and trusted by members of the community who then were prepared to make sound financial decisions and commit to installation. We provided individualised support to people in their dealings with installers and with SP Ausnet over connections.

At the end of that period of high government subsidies for solar, when the solar industry was subject to a sudden down-turn at the end of the premium feed-in tariff, our community members benefited from the collective effort of the Energy Innovation Co-op and our local partners.

Our main corporate partner, SolarShop, went into receivership. None of the customers in our program lost out financially as they would certainly have done without our collective effort. The Co-operative as an organisation lost out financially. Some of the installers lost out financially. But our community members were protected. That's a benefit from having an ethically focussed, community-centred Co-operative involved in the energy sector (see TOR 1).

In 2016, we have huge community interest in battery storage/ solar PV systems, with a similar lack of real knowledge in a community being beset by competing commercial promises and claims. Our main planned community owned energy generation project is integrally intertwined with providing additional demonstrations and factual information about battery technology. We will replicate the additional safeguards and support to our community in this new field because this is what we are set up to do.

Community ownership established by Co-operatives such as ours is able to provide a safer environment for community adoption of innovation.

Community ownership helps protect community members, local businesses, even local governments who have less of a focus and less expertise than we do, from the potentially negative impacts of unfettered markets in newer technologies.

Term of Reference 3: Investigate the best ways to encourage the uptake of community energy projects.

See: **National Community Energy Strategy C4CE** (attached)

Homegrown Power Plan (attached)

I. Community Powerhouses

The Energy Innovation Co-operative Ltd would like to see the adoption of “**Community Powerhouses**” as outlined in the Homegrown Power Plan (see attached p 90). This policy was adopted in part by Federal Labor and the Greens at the last Federal election.

MEFL (Moreland Energy Foundation Ltd) has been an incredibly successful model of a “community powerhouse” long before the concept was coined. But the origins of that success was and is a core (and considerable) level of ongoing funding, which enabled it to develop as a well-resourced organisation, able to attract expertise, ideas and capacity to enact those ideas. Yes, MEFL builds community, and attracts volunteers. But it didn’t have to start from scratch.

The current programs intending to support the development of CE projects in Victoria are still rudimentary. Offering competitive grant rounds inevitably favours groups that are already better resourced, able to attract more “other funding”, and come from larger population centres or better resourced communities.

The Energy Innovation Co-operative agrees with the Victorian government’s emphasis on the need to build partnerships as a way of strengthening projects. We continually seek to bring in new partners and collaborate with others.

We invite the Victorian government to explore some **new systems encouraging government participation with community groups in genuinely collaborative project development**. We believe there are better ways to achieve both government and community goals than the “hit-and-often-miss” process of competitive grant rounds.

Current grant programs still largely expect projects to be not only developed by volunteers, but run by volunteers over long time frames, within organisations run on small change and with very time limited project-specific funding.

All of this lessens the opportunities for organisations such as ours to build up their long term capacity to become self-sustaining. It lessens the opportunity for every community in Victoria to be within “reach” of CE projects that they can feel a sense of identification with, involvement in, and connection to. It lessens the opportunities for other new groups to spring up, with ideas of their own, properly supported and encouraged by a more experienced “Community Energy Powerhouse” not too far away.

If the government genuinely wishes to encourage the development of CE projects across the whole state, there needs to be policy and practice that specifically facilitates the spread of capacity, expertise and core funding equitably across the whole state.

There is an immense amount of interest in community owned renewable energy and related activities, across the state. Help us to harness that interest.

An equitable geographic spread of Community Powerhouses with core funding and some collaborative project development with government over a longer time period, would assist.

II. Removal of regulatory impediments.

The Energy Innovation Co-operative notes and appreciates the efforts the current Victorian government is making towards encouraging the development of community energy projects.

The effort going into understanding and working towards the removal of the many and varied impediments which have existed in Victoria is valued.

However, other states and territories, particularly NSW and ACT have managed to remove more impediments more rapidly than Victoria. Utilising successful regulatory frameworks and support programs as already adopted in other states would assist a more rapid uptake of CE projects in Victoria.

III. Sustainability Victoria

The switch away from the renewable energy focus of **Sustainability Victoria**, and the loss of expertise which followed that switch under the previous government was unfortunate. Returning the responsibility for Community Energy project development and support to a very focussed centre of expertise, such as Sustainability Victoria or other like organisation would we believe be of assistance.

Dealing with departments which have multiple responsibilities and less focussed expertise on the energy industry and requirements of projects dealing with the energy industry adds complexity to project development. Staff come and go, departments re-organise and are often opaque to the outsider.

The benefits of the originally structured Sustainability Victoria included its focus, the concentrated expertise of its staff at that time, its added flexibility, ability to innovate and quickly respond to rapidly changing external factors. That kind of flexibility is always going to be needed in this fast changing industry.

IV. Victorian Community Solar Alliance

The part-funding provided by the NEJF to the **Victorian Community Solar Alliance** to develop templates for legal documents and a website portal will assist such groups as ours. We hope that further support will be offered to them. The costs of obtaining individualised legal advice in a region and on a topic where most legal practitioners have little understanding of our particular organisational structure and project requirements is a significant barrier to project development .

Once there is broad industry and government acceptance of the typical legal arrangements required for CE projects, we expect groups like ours will save considerable angst, time and legal costs. The fact that only part funding was achieved for the Victorian Community Solar Alliance project still means that the demand on volunteers is more significant than is desirable.

V. Multiplying Inquiries

Please note that there have been **many Inquiries** related to this topic and to the energy industry more broadly, and the Energy Innovation Co-operative has contributed either directly or as part of a wider group to as many as possible.

The effort required to contribute to these inquiries, by largely volunteer groups who are already trying to work on the ground in their own communities, is in itself becoming an impediment and an unaffordable drain on scarce time and resources. Consideration of some kind of **honorarium to recompense volunteer groups for their valuable input** may be worth considering.

Term of reference 4: Investigate the ability to expand community energy projects outside of solar and wind.

Calculating the financial cost and return on investment for both solar and wind, essential parts of establishing any community energy project, is now relatively straightforward. It is one of the easier parts of planning any project.

There are still very significant other hurdles to establishing community energy projects in Victoria, including regulatory restrictions, access to expertise, the need for standardised and broad acceptance of documentation such as leases and power purchase agreements and access to start-up funding. These need to be reduced or eliminated where possible so as not to provide impossible barriers to mostly volunteer organisations.

Once these barriers above have been addressed, and once the many groups working towards community energy projects have built their capacity, then other forms of energy generation will and should be explored.

Currently it is hard enough to work out the organisational and financial viability of a project using known data from mature industries such as solar and wind technology.

Finding investors when cost and ROI of newer technologies is not known is much harder. Either this additional challenge will need to be taken into consideration in funding applications. Or, give the sector time. The Energy Innovation Co-op will be more interested in less established technologies once we have built our financial and organisational capacity, and once our communities have

experienced the financial, social and environmental benefits from a few more of our own locally developed and locally owned community solar PV or wind projects.

Term of reference 5: Review the best practice models of other Australian and international jurisdictions for supporting community ownership options in the energy sector.

Please note: This term of reference is somewhat ambiguous. It could be asking for different “best practice” models of community ownership. Or it could be asking for best practice models of different types of (government?) support for community ownership.

For the latter, see our comments on collaborative project development with government included in the collaboration. (p 7 of this submission, TOR 3)

For the former see:

- **Guide to Community Owned Renewable Energy for Victorians** : State govt Vic. (note p35) attached.
- **National Community Energy Strategy: C4CE**, particularly **Appendix E (behind the meter models)** attached
- **Briefing paper- Solar Gardens: Renewables for All: Community Power Agency/ C4CE** (attached)

The Energy Innovation Co-operative has explored many possible models over the last 5 years, rejecting most of them as not possible because of regulation (recent removal of the need to gain complicated licences has helped) or too high risk (putting community owned PV on the roof of businesses which may be financially insecure).

None of our calculations for establishing an investment model seemed to pay ROI sufficient to pay dividends to investors plus employ even part-time staff to manage the projects. And there is a limit to the amount of donated time which we are all able to provide-a limit far beyond what most of those in decision-making positions would ever contemplate, but still finite.

The communities served by the Energy Innovation Co-op (mostly Bass Coast and South Gippsland Shires and surrounds) are small. Our towns are small (none over 7000 people). Most of our businesses are small, with some notable exceptions. Our Councils are underfunded, not agile or innovative and mostly not very focussed on the need to assist their communities to reduce carbon emissions. The Energy Innovation Co-op is not restricted to one local government area, has developed considerable expertise, and with the support of the general CE movement, much more confidence over this time. It is still hampered by lack of start-up capital.



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We will begin our foray into community owned renewable energy generation using a donation model. It seems tried and true. It offers less risk to members of our communities.

We will over time, with more changes in regulations, and hopefully some start-up funding, continue to explore a range of different models of CE projects as developed and shared by other community groups across the country.

Solar Gardens

What we would really like to see, as well as the funding of Community Powerhouses, is for the regulatory regime in Victoria/ Australia to be amended sufficiently to allow the development of **Solar Gardens**, where a centralised array owned and paid for by numbers of businesses or community members produces power which can be credited onto their power bills, at their own address. (local network credit/ local energy trading/ virtual net metering).

This would allow the participation in CE of the many people who don't have access to a suitable roof.

It would allow the participation in CE of the many community organisations who run community buildings with large suitable roof space, but whose building usage does not fit the pattern for a behind-the-meter array (ie. power use is intermittent or night based). We have many, many of these kinds of buildings and many of their management committees are enquiring about opportunities to participate in CE projects.

These systems are common overseas. They are being trialled in collaboration with Moira and Swan Hill Councils in Victoria.

They would suit our community well.

Feed-in Tariffs

It would also help if we had a more equitable and rational **tariff** arrangement. The current situation for new installations where any export of renewable power is paid at a nominal rate (5c/kWh), but any purchase of power is high (around 30c/kWh and rising) is currently out of consumer control to manage. Community owned solar gardens or whatever you'd like to call them, provide a competitive alternative, helping to rein in exploitative charging practices, and provide potential returns which recognise the additional societal and environmental benefit of renewable power generation.

Term of reference 6: Investigate the challenges to community energy projects in metropolitan areas.

This term of reference does not apply to our group. It would have been preferable to us if there was a separate term of reference which referred to the challenges for community energy projects in rural areas. The discrimination implied in this term of reference is disheartening.

Many of the challenges of establishing CE projects in metropolitan areas, also apply in rural areas.

We may have more space and less multi-story apartments. But we do have many citizens and many businesses that do not have the roof space, the capital or the building ownership to allow them as individuals to install their own renewable energy generation.

They would like the opportunity to be involved in CE projects.

Term of reference 7: Investigate ways to support communities to surmount challenges to community owned energy in metropolitan areas.

As above, this term of reference does not apply to our group, and it would have been more equitable if there was a separate term of reference which covered ways to support rural communities. The discrimination implied in this term of reference is also disheartening.

Please see the submission provided by the Victorian Community Solar Alliance, which our group has contributed towards. None of the ideas provided there are exclusively of relevance to metropolitan areas.

Rural and metropolitan CE groups have a great deal in common and are working very productively together.

We hope this submission is helpful to all representatives within the Parliament, in your deliberations and policy making. Signed on behalf of our Chair Moragh Mackay, and the board of Energy Innovation Co-operative Ltd.



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