

Victorian Community Solar Alliance

Submission - Victoria's Renewable Energy Roadmap

September 2015

**This submission is supported by members of the
Victorian Community Solar Alliance:**

- 1. Ballarat Renewable Energy and Zero Emissions (BREAZE)**
- 2. Bendigo Sustainability Group**
- 3. Energy Innovation Cooperative (auspicing Gippsland Community Energy)**
- 4. Geelong Sustainability Group**
- 5. GV Community Energy**
- 6. Locals Into Victoria's Environment (LIVE)**
- 7. Macedon Ranges Sustainability Group**
- 8. Melbourne Community Power**
- 9. Moreland Community Solar**
- 10. Moreland Energy Foundation Limited (MEFL)**
 - 11. Ranges Energy**
 - 12. ReEnergise Geelong**
 - 13. Solar Citizens**
 - 14. Surf Coast Energy Group**
 - 15. Yarra Community Solar**

Executive Summary

This submission provides comment on Victoria's Renewable Energy Roadmap issued by the Department of Economic Development, Jobs, Transport and Resources in August 2015 and has been prepared by the Victorian Community Solar Alliance (VCSA).

We have developed our response to address the specific needs of Community Solar Organisations (CSOs) working towards the establishment of community-owned solar installations in Victoria. Our response provides some background explaining CSOs and describing the issues that have restricted the development of this method of funding solar installations in Victoria.

We congratulate the government on issuing the Roadmap as its intent is very much aligned with the goals and objectives of the organisations that form the VCSA.

The Roadmap acknowledges that there are a number of issues facing CSOs and has sought comment on ways to alleviate these matters. Clear recommendations are provided in this document that if implemented will enable CSOs to commence commercial activity in Victoria.

The two main inhibitors in Victoria are existing regulations covering electricity licences and a lack of start-up funds for many groups.

The Victorian Community Solar Alliance believes there are no sound reasons why Victorian CSOs should be licensed to sell electricity, and the Alliance strongly favours provision of an exemption consistent with the practice administered by the Australian Energy Regulator (AER) in many states of Australia.

Details supporting this position are contained in our submission to both the Review of the General Exemption Order conducted by the Department of Economic Development, Jobs, Transport and Resources and the Review of Energy Licensing Framework conducted by the Essential Services Commission.

CSOs are seeking a grant program for community energy groups of at least \$2m over 3 years. Funding at this level will put CSOs in a position where they can operate effectively. Some of these funds will be used to provide resources and tools to be used by multiple organisations. In most cases the funding will enable organisations to be in a position to seek capital from the community. This capital will be used to invest in renewable energy, thereby growing the renewable energy sector in Victoria and creating more employment opportunities.

We believe that the financial benefit to Victoria from funds provided to CSO would be many times greater than the value of the amount provided. On top of this there will be benefits to the environment from lower levels of carbon emissions and to the community from greater engagement with local volunteer driven organisations. This is entirely in keeping with the intent of the Renewable Energy Action Plan.

We support the government's intent to re-establish Victoria as a leader in renewable energy. In that context setting a Victorian Renewable Energy Target of at least 20% by 2020 isn't consistent with that intent. An outcome of 30% by 2020 and matching the South Australian target of 50% by 2025 must be seen as a minimum and would be welcomed by the Victorian Community Solar Alliance.

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As recognised in the Roadmap CSOs are pioneering in their intent and have developed innovative business models. However CSOs have not been able to operate on the scale that they intend due to the inhibitors described earlier. Indeed this situation has existed for a considerable time and there would be great benefit to the state if the changes sought were fast tracked.

VCSA congratulates the government on this most welcomed Roadmap and we look forward to working together to achieve our common goals.

1. Introduction

The Victorian Community Solar Alliance welcomes the opportunity to respond to Victoria's Renewable Energy Roadmap: Delivering Jobs and a Clean Energy Future. We congratulate the Victorian Government for developing an Action Plan for Renewable Energy and particularly welcome a range of measures that will support the emergence of a vibrant community renewable energy sector in our State outlined in the Roadmap.

Initiatives which will support consumers, businesses and communities to invest in renewable energy are especially welcome, including:

- *Making it easier for those currently unable to invest in solar PV – such as rental tenants and low income households who cannot afford the upfront cost of PV systems – to share in the benefits which local generation provides.*
- *Supporting the development of pioneering community renewable energy projects, where the benefits of distributed generation are shared at a community level. (Roadmap - p6)*

The Alliance also strongly welcomes the recognition of the importance of the Victorian Government's role in promoting the growth of renewable energy by "supporting community efforts to develop renewable energy projects". (Roadmap - p6)

The Alliance supports the four priority areas outlined in the Roadmap. Priority actions two and three are particularly important to Community Solar:

- *Reducing barriers to continued development of distributed generation and energy storage*
- *Encouraging household and community development of renewable generation, products and services (Roadmap - p6)*

We are sure that implementing initiatives that support these priorities will lead to greater investment in renewable energy and hence growth in employment in the sector.

2. Community Solar in Victoria

What is a Community Solar Organisation?

The Victorian Community Solar Alliance knows of about 15 Community Solar Organisations (CSOs) currently working towards the establishment of community-owned solar installations in Victoria. The emerging Community Solar sector in Victoria comprises small, simple volunteer-driven organisations aspiring to own and operate technically and financially straightforward solar systems for community benefit.

Groups are typically small in scale and made up of people from all walks of life, working together as volunteers, with few resources to support their work. Unlike similar organisations in NSW, very little financial support has been available to date to help groups get started and work through the complex commercial, legal and regulatory framework involved.

Most groups are motivated primarily by environmental, community-building, social justice and employment objectives, and are seeking to mobilise local community interest and involvement in renewable energy. Some have a track record facilitating the uptake of solar in its embryonic phase, and in the process helping to establish the foundation upon which community energy is being built.

The groups are social enterprises that aim to increase the amount of clean energy in their local communities, by bringing solar power within the reach of more people and organisations.

The capital funding required for each project is raised through donations or through small-scale ethical investment, resulting in, respectively, an income to the CSO to support further local sustainability activities or offering a very modest return to member-shareholders.

Community solar will enable community members who cannot install their own solar systems at home to share in the benefits of solar power at the community level.

Community solar is open to everyone but is particularly attractive to people who live in flats and apartment buildings, who are tenants, or who are unable to afford the up-front costs of installing solar. It is also attractive to people looking for an ethical investment that will support their local community.

Reflecting their motivations, most groups to date are either Incorporated Associations or Co-operatives. Some have added community solar to an existing suite of local community sustainability initiatives, while others have been established solely as a vehicle to drive the establishment of community-owned solar in their community.

Barriers to establishing Community Solar in Victoria

In Victoria to date only one community solar project has been successfully implemented. Bendigo Sustainability Group (BSG) has raised \$32,000 and installed a 20kW solar array on the Bendigo Library:

<http://www.bsg.org.au/258/>

[https://www.bendigo.vic.gov.au/About the City/News and Engagement/Media Releases/
New solar power system for Bendigo Library#.VcF6xvmqgBc](https://www.bendigo.vic.gov.au/About%20the%20City/News%20and%20Engagement/Media%20Releases/New%20solar%20power%20system%20for%20Bendigo%20Library#.VcF6xvmqgBc)

There are a number of groups close to realising plans for projects, such as Yarra Community Solar and Moreland Community Solar. But there are significant barriers stalling these particular projects which equally applies to the development of Community Solar more broadly in our State. The requirement for an Essential Services Licence is one barrier and the lack of start-up funds is the other significant obstacle for many groups.

The development of Community Solar is more advanced in NSW, where these barriers do not exist. The NSW government has twice established funding programs (\$411,000 and \$846,000 each) for community energy totalling over \$1.25 million in investment in the sector over the past three years.

Furthermore, CSOs are able to apply for an exemption from the requirement to be licensed. The licence exemption process for CSOs is a simple, straightforward process with no costs attached.

The following projects are two examples of successful community solar projects in NSW:

Repower Shoalhaven <http://www.repower.net.au/>

Clear Sky Solar <http://www.clearskysolar.com.au/>

While understanding the need to follow due process the VCSA is very concerned that the timetable to implement this Roadmap, particularly with respect to community renewable energy organisations will see little change on the ground within the next 12 months.

Many organisations have been treading water for a considerable length of time and some have already folded. It is becoming harder to maintain energy and enthusiasm and hence volunteers with no solution in place. We encourage the Government to implement a solution and with a sense of urgency.

3. Victorian Renewable Energy Target

The Alliance agrees that the Government should set clear targets to ensure that the growth in renewable energy generation can be measured. Targets are also important, as outlined in the Roadmap, to signal the Government's intention to re-establish Victoria's position as the leading Australian state for investment in renewable energy.

The target of 20% renewable energy by 2020 proposed in the Roadmap appears is unlikely to send a signal that there is a serious intention to again become the leading Australian state for investment in renewable energy.

Other states and territories have adopted significantly higher targets and in some cases have already achieved more than 20% of their energy generation from renewable energy. (See Table One.)

A significantly more ambitious target is necessary if Victoria is serious about again becoming the leading state for renewable energy investment. 30% by 2020 and matching the South Australian target of 50% by 2025 must be seen as a minimum and would be welcomed by the Victorian Community Solar Alliance.

The Alliance believes however that the percentage target must be given greater definition by being expressed in gigawatts. Limiting the expression of the target to a percentage is unclear – what exactly the Government is trying to achieve and how it would be measured would be clarified by having the measure expressed in gigawatts.

Table One: Renewable Energy Targets in other States and the ACT				
State/Territory	Current % of renewable energy	2020 Target	2025 Target	2030 Target
Australian Capital Territory		Previously, 90%	Now 100%	
South Australia	39% in 2013/14 (33% wind, 6% PV)		50%	
Queensland				50%
Tasmania	pretty much at 100%			

4. Points on Roadmap relevant to Community Renewable Energy Organisations

Sections of the Roadmap relevant to Community Solar Organisations (CSOS) are noted below with comment from VCSA and recommended actions.

Roadmap Section - 1.3 Re-establishing Vic as leader in Renewable Energy:

- **Driving jobs and investment (p5)**
- **Actively supporting the development of pioneering community renewable energy projects (p6)**
- **Supporting community efforts to develop community renewable energy projects (p6)**
- **Encouraging households and community renewable energy generation (p19)**

Response: Desirable Action:

1. The VCSA strongly supports the establishment of a grant program for Community Energy of at least \$2M over the next three years. The program should include the scope to fund large iconic projects as well as a wide range of smaller, local projects spread across the State.
2. Provision of funding support for planning and initial start-up of Community Energy projects needs to be via an uncomplicated application process which acknowledges that community renewable energy projects are initiated and managed by volunteers. Importantly, equitable geographic spread of proposed projects in rural areas, across the state, should be one of the assessment criteria for success within the application process.
3. The grant program should provide assistance to develop the capacity of community solar organisations to implement their projects through:
 - a. Start-up funding for individual projects (as per funding arrangements provided to 2 projects committed to before the last Victorian state election)
 - b. Development of a common set of relevant legal documents able to be used as templates by Community Renewable Energy Projects, with back-up legal advice available for specific project challenges.
 - c. Development of an on-line "portal" which would provide expertise and help deliver cost reduction to large numbers of community renewable energy projects via provision of a common back-administrative capacity (as currently being developed by Moreland Energy Foundation Ltd) plus access to the above-mentioned legal document templates and other supports.
 - d. Funding for an annual conference and workshop of Community Solar Organisations from across the state to support the development of this emerging sector

Note - Funding described above will enable CSOs to establish themselves so that they operate effectively. The business model of many CSOs is to attract investor funding into the renewable energy industry resulting in more solar installations, leading to more jobs in the sector. Any funding provided here will clearly have a multiplier effect as providing a comparatively small level of funding to a CSO can lead to considerable new investment in renewable installations, hence jobs.

Roadmap Section - 3. Transforming Victoria's generation stock towards renewable energy

3.2 Reform of Victoria's wind farm planning laws (p12)

4. Addressing barriers to distributed generation and storage (p14):

4.1 Improving connection processes for distributed generation (p15)

4.2 Removing barriers to innovative projects and business models (p15)

Response: Desirable Actions:

- 4 Wind, solar and any other renewable energy generation planning issues should be addressed at the same time. The issue is not limited to any particular source of renewable energy, but requires regulatory frameworks, guidelines, laws, distribution networks to be made more transparent to renewable energy generation initiatives, whatever their type.
- 5 It is important to both unpick the previous government's negative policy framework but also to act positively to unlock the potential for new generation possibilities
- 6 The power distributors need to be provided with **incentives** to facilitate innovative distributed energy generation.
- 7 The power distributors need to be provided with clear **disincentives/penalties** to discourage blocking of innovative distributed energy generation.
 - a. The process to connect community renewable energy projects to the grid should be transparent, accurately quoted in the planning stages, fast and simple.
 - b. The regulatory framework of the distributors already clearly indicates their responsibility to act "in the public interest".
 - c. The public interest test has never been enforced. It is clearly in the public interest to have more renewable energy generation.
- 8 Community energy projects in Victoria require a licensing regime similar to NSW or ACT i.e. exemption from licensing requirements, or vastly simplified licensing arrangements. See VCSA submission to the ESC and state govt. reviews.
 - a. The current proposed reporting timeline for the Essential Services Commission review into retail licensing is sometime in 2016, which will continue to stall potential projects and could see some groups and projects fold altogether.
 - b. Changes to the licensing and regulatory arrangements are essential if the Victorian government is to facilitate community renewable energy generation in Victoria.

- c. The VCSA position is to prefer an exemption from licensing requirements.
 - d. A decision to simplify or abolish licensing requirements for potential community energy projects is required before any announcement of funding streams and any application process designed to facilitate community renewable energy projects.
- 9 The VCSA supports innovative purchasing and leasing arrangements for distributed energy including the development of a “roof register” and use of solar on strata title buildings.
- 10 VCSA recommends that Victoria act promptly to adopt successful measures already taken in other states, including:
- a. Community renewable energy feed-in tariff (CFiT)
 - i. Renewable energy generation does not cost the community in environmental damage, in health damage to citizens, or in long term damage resulting from climate change.
 - ii. Therefore, the value of the electricity produced by renewable energy generation is significantly higher than that of dirty coal fired power.
 - iii. The price paid for renewable energy generation should be higher in recognition of this significant added value for the community.
 - iv. The current situation of renewable energy generation not receiving any premium is illogical, unfair, and counter-productive to a genuine objective to reduce carbon emissions.
 - v. The ACT has such a scheme in place and has set the tariff at 20 cents per kilowatt hour for 20 years, slightly higher than the price achieved by successful proponents in the ACT government’s large-scale solar auction conducted in 2012-13. CFiT schemes have been successfully implemented in Germany, the UK and many provinces of Canada.
 - b. Quick and easy licensing
 - c. Direct grants to communities

Should these measures be taken, many community solar projects long held up at the planning stages will be able to show results sooner rather than later.

Roadmap Section - 5. Encouraging household and community renewable generation

5.2. Ensure fair compensation for distributed generation (p 20)

6.3 Renewable energy project facilitation

- **co-ordinated renewable energy project facilitation**
- **possible appointment of Renewable Energy Advocate (p23)**

Response: Comment and Desired Actions:

- 11 For community renewable energy projects a viable, simple regulatory framework, plus provision for an adequate return for energy generation, plus preferably virtual net metering, is much more important than an additional bureaucracy.

- 12 Local government is a primary contact and support for community groups including community energy projects, especially in rural areas. Allocating resources through local governments, rather than through centralised bureaucracies has multiple benefits including:
 - a. Strengthening and building the capacity of local governments
 - b. Improving local government credibility in the community
 - c. Encouraging innovative project development by local governments, who are often in the best position to bring together disparate groups within their own local areas
 - d. Facilitating value-add through the inclusion of other funding streams managed by local government, to a project/community.
 - e. Reducing very significant amounts of funding ostensibly allocated to a program, which is actually lost to local communities because it is allocated to the centralised bureaucracies to administer
- 13 The VCSA congratulates the Government for its initiative in developing the How-to Guide for Community Energy. This will be a valuable resource for groups setting out and trying to navigate their way through the complexities of establishing community-owned energy projects. The VCSA does have some concerns however that the Guide will become available long before the key issues associated with licensing of community solar projects is resolved, underlining the need to fast track either an exemption for CSOs or a very a simple licence framework (see paragraph 8 above).

5. Other initiatives to Further Develop Community Solar in Victoria

While welcoming the initiatives described in the Roadmap relevant for CSOs, there are a range of additional initiatives that should be considered to secure the long-term viability of renewable energy and the Community Energy sector in our State. The following are examples of innovative approaches to be considered -

- 14 Provide assistance to CSOs by making the roof(s) of government buildings available for projects. Obtaining a first site has been an issue for community groups in other states, delaying the take up of community sourced initiatives generally. The government could fast track the roll out of community energy by providing suitable sites for initial projects.
- 15 Review of FiT - this has been foreshadowed in the Roadmap and the VCSA intends to make a more extensive submission on this subject to that Review. The current approach to determining the FiT takes a narrow view as the tariff is determined based on the short term impact on the energy utility. We recommend that the FiT be established taking the perspective of the state as a whole into consideration. Broadening the scope will enable factors such as the cost of the solar installation and a profit margin for the panel owner to be included in determining the price, as well as providing environmental benefits through a reduction in carbon generation.

- 16 Virtual net metering (VNM), if implemented would improve the financial returns available to owners of renewable energy and would thereby encourage additional investment in renewable energy. Victoria is currently participating in a VNM trial funded by ARENA and this is welcomed. CSOs would also welcome the opportunity to provide funding for further trials, potentially involving government sites where one building has large roof space and low energy usage and another facility has low roof space and high energy needs.
- 17 The heading 4.2 in the REAP discusses "Removing barriers to innovative projects and business models" and a number of appropriate areas for investigation are listed. An additional area to investigate would be identifying ways in which the installation of solar on properties where the occupants of the building don't own the property can be enabled. This issue is particularly relevant for commercial properties as many businesses are tenants. The issue to resolve is that a tenant is highly unlikely to invest in an asset that has a lengthy pay-back and adds value to an asset that they don't own while for a landlord there is no simple way to equitably and conveniently recover the financial benefit derived from a solar investment.
- 18 Reverse Auctions have recently been adopted in the ACT. These are likely to be best for community energy projects larger than 100kW or aggregations of multiple smaller community energy projects and can be tailored to the policy impact priorities of the Victorian government. The Qld Government has recently committed to trial a 40-megawatt renewable energy auction, to support private investment and jobs in the renewable energy industry. For Victoria, a streamlined mechanism involving a simplified application/ administrative process for community energy groups, and a significantly higher reverse auction capacity than in the ACT (20MW or higher) would demonstrate acknowledgement of the valuable lessons learned from the ACT experience.