

# NSW Climate Change Fund - Draft Strategic Plan

## *Coalition for Community Energy Submission*

### 1. INTRODUCTION

Thank you for the opportunity to input into the Climate Change Fund Draft Strategic Plan 2017-2022. This submission has been written by the [Coalition for Community Energy](#) and is supported by the following organisations:<sup>1</sup>

- [Community Power Agency](#)
- [Institute for Sustainable Futures, UTS](#)
- [Repower Coffs Community Association Inc](#)
- [Repower Shoalhaven](#)
- [Pingala](#)
- [Alternative Technology Association](#)
- [Starfish Initiatives](#)
- [Embark](#)
- [Moreland Energy Foundation](#)
- [New England Wind](#)
- [Central NSW Renewable Energy Cooperative](#)
- [COREM](#)
- Natimuk Community Energy
- [Clarence Valley Conservation Coalition Inc](#)
- [Groundswell Bass Coast](#)
- [Blue Mountains Renewable Energy Co-op](#)

Our submission is structured as follows:

- o About the Coalition for Community Energy
- o Summary of Recommendations
- o About community energy
- o Response to section 2.5 – Build capacity of local communities to Deliver and Own Renewable Energy
- o Response to Section 2.1 of the Draft Strategic Plan and the need to scale up ambition
- o Response to Sections 3.4 and 3.5 of the Draft Strategic Plan and viable models to support vulnerable customers to access clean energy solutions

The Submission references a number of key documents/bodies of community energy research that we believe should be considered as part of finalising the Climate Change Fund Strategic Plan including, specifically, the [National Community Energy Strategy](#) and appendices, the [Embark Wiki](#), the [Renewables for all Project Briefing Papers](#), and [C4CE's submission to the Victorian Parliamentary Inquiry into Community Energy](#).

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<sup>1</sup> Note this submission does not necessarily represent the views of all C4CE partner organisations.



## 2. ABOUT THE COALITION FOR COMMUNITY ENERGY

The Coalition for Community Energy (C4CE) is a network of 84 organisations working to grow a vibrant community energy sector, of which 42 are based in New South Wales ([see here for the full list](#)).

C4CE was founded using a Collaborative Impact approach. C4CE facilitates collaborative [Strategic Initiatives](#) that build on the strengths of its member organisations - community energy projects, groups, support organisations and stakeholders in the wider renewable and mainstream energy system - to create mutually beneficial outcomes. C4CE fosters win-win situations and in so doing is creating a quicker, more efficient path to a community energy sector with hundreds of community energy projects that benefit all Australian communities.

### C4CE's objectives are to:

- Guide and support development of the community energy sector
- Create a coordinated voice to better advocate for the needs of the sector
- Grow the sector's profile, influence and membership (beyond the 'usual suspects')
- Facilitate the alignment of efforts by Members with support, systems, tools and training which enable collaboration for collective impact
- Identify and create strategic opportunities and attract investment for the sector
- Coordinate strategic initiatives which build the knowledge, know-how and capacity of Members and the sector.

## 3. SUMMARY OF RECOMMENDATIONS

The Coalition for Community Energy recommends that the NSW Government adopt the following actions and priorities in their NSW Climate Change Fund Final Strategy. The 11 recommendations are structured under three areas of the Draft Strategy.

### Building the capacity of local communities to Deliver and Own Renewable Energy

- Recommendation 1: Sponsor energy market and financial regulation reforms through COAG to make it easier for community scale projects to connect to the grid and share their benefits, with a particular focus on:
  - Supporting a **change to the National Electricity Objective (NEO)** to include environmental sustainability and social fairness criteria.
  - Advocating for appropriate changes to the **20/12 investor rule within the Corporations Act**
  - Measures to address high network costs and enable sharing of energy
- Recommendation 2: Adoption of the **Smart Energy Communities policy** which includes:
  - The establishment of **at least 10 Regional Community Hubs** like Victoria's Moreland Energy Foundation across NSW, to provide expertise, advice, coordination and support for community energy initiatives in their region.
  - Provision of **grant funding** for community energy projects to get to commercial close
  - Funding for a **statewide network** to provide capacity building support and information sharing across the state, including updating existing resources such as the Embark Wiki and filling knowledge gaps.
- Recommendation 3: The establishment of a **community energy target**. We suggest that a target of 5-10% of NSW's renewable supply by 2025 should aim to be delivered from community energy projects.



- Recommendation 4: That a **policy mechanism be developed to help meet this target**. Big gains can be made by creating a fit-for-purpose financial policy mechanism for community energy projects in order to leverage community, public and private finance.

#### Maximise investments under the national renewable energy target

- Recommendation 5: Set measurable and staged (i.e. in 5 or 10 year blocks) renewable energy objectives to track the progress as well as effectiveness of NSW renewable energy policy.
- Recommendation 6: Increase the scale of the contracts-for-difference mechanism by 10-fold to 2500MWs and include a carve-out for flexible and dispatchable renewables
- Recommendation 7: Encourage community engagement and ownership in large-scale renewable energy developments by:
  - Include non-cost-based selection criteria
  - Establishing the aforementioned Regional Community Hubs to play a brokering role between communities and renewable energy developers.
- Recommendation 8: Put in place measures to ensure a just transition for coal-affected communities and regions

#### Drive clean energy upgrades for rental households AND support vulnerable households to reduce their energy bills

- Recommendation 9: Fund trials of promising models such as solar gardens and rates financing that enable 'locked out' energy users to access the benefits of clean energy (renewables, energy efficiency, storage etc)
- Recommendation 10: Remove regulatory and legislative barriers to these promising models
- Recommendation 11: Establishing the aforementioned Regional Community Hubs to facilitate these more complex but promising models that increase clean energy accessibility and affordability.

## 4. ABOUT COMMUNITY ENERGY

There is an increasing consensus around the world that community energy with its technical, social and economic particularities is providing a significant contribution to the clean energy transition. C4CE defines community energy projects as

*"...the wide range of ways that communities can develop, deliver and benefit from sustainable energy. It can involve supply-based projects such as renewable energy installations, storage, and demand side projects such as energy efficiency and demand management. Community energy can even include community-based approaches to selling or distributing energy.*

*Community energy projects encompass a variety of technologies and activities across a range of scales, determined by community needs, availability of local natural resources, technologies and funding, and community support."*

(National Community Energy Strategy Summary, 2015)



In contrast to commercially developed projects, community energy projects are established to meet the motivations and needs of either local communities (e.g. town or suburb) or communities of common interest (e.g. shared sustainable investment). The benefits can range from social aspects of local ownership, democratic decision making and community empowerment, to economic benefits such as local job creation, regional added value and financial benefits, to environmental drivers of resource efficiency and mitigating impacts of climate change. The strength is that every project can be slightly different, being tailored to each community's requirements and context. Hence the concept of community energy is meeting growing enthusiasm and interest by communities across NSW and Australia more broadly.

Some benefits are already tangible. The Collective Impact Assessment undertaken as part of the national Community Energy Strategy in 2014 found that during the period 2008 to 2013 \$23 million in funding for community energy infrastructure has been secured in the development and delivery of community energy projects. While this figure is out of date and does not include the significant volunteer and in-kind contributions to realise those projects, it indicates the great potential community energy can have for the clean energy transition in NSW and Australia. The study further revealed that the community energy sector had leveraged \$3 of community energy funding for every \$1 of government investment. In one example, C4CE member Clearsky Solar Investments has leveraged over \$10 in community investment for every \$1 provided by a NSW Government feasibility grant. For a full range of benefits of community energy please see [C4CE's submission to the Victorian Parliamentary Inquiry into Community Energy](#).

However, as a relatively new approach in Australia community energy groups still face a number of barriers which include regulatory issues that impede a level playing field and hamper community actors to access the energy market, challenges associated with skills and capabilities which are linked to the volunteer nature of the projects, but also cultural issues that relate to general attitudes of e.g. consumption, trust and control.

## 5. RESPONSE TO SECTION 2.5 – BUILD CAPACITY OF LOCAL COMMUNITIES TO DELIVER AND OWN RENEWABLE ENERGY

We would like to acknowledge that the NSW Government has fostered the development of the fledgling community energy sector in Australia from the beginning. In particular we would like to **congratulate the NSW Government** on:

- Its leadership role in supporting community energy projects over the last few years, and
- For continuing to recognise the importance of community energy in the Draft Strategy Plan and broader transition to a clean energy future in NSW

However, we believe that NSW Government can increase its ambitions and we would like to recommend a few amendments and additional measures to those already outlined in Section 2.5 of the Draft Strategic Plan, that we believe would better support the scaling up of community energy action and build the capacity of local communities to deliver and own renewable energy.

While the community energy grant programs with the support of the Regional Clean Energy Program has been an important first step in establishing a community energy sector in NSW, we strongly believe that **a more sophisticated approach** and set of policy mechanisms (detailed below) are required to see community energy reach its full potential.



## 5.1 Regulatory Reform

We are particularly supportive of the proposed action in Section 2.5 of the Draft Strategic Plan to ‘sponsor energy market and financial regulation reforms through COAG to make it easier for community scale projects to connect to the grid and share their benefits.’ In particular, we think this regulatory change action particularly needs to cover:

- Supporting a **change to the National Electricity Objective (NEO)** to include environmental sustainability and social fairness criteria.
- Advocating for appropriate changes to the **20/12 investor rule within the Corporations Act**
- Measures to address high network costs and enable sharing of energy

Each of these is further detailed below.

### Changing the National Electricity Objective

Since the NEO does not include environmental sustainability or social fairness considerations, it prevents the energy regulator and all the major electricity industry actors from directly considering climate change, impacts on water systems, biodiversity and food production. The NEO needs to change if we want to ensure the transition to clean, decentralised, democratically controlled renewable energy is fair and as rapid as climate change demands.

### Changing the 20/12 investor rule within the Corporations Act.

Seeking investment is a highly regulated process. To seek investment from more than 20 investors, a community energy project most likely will need to be covered by an Australian Financial Services Licence, have a Prospectus, and undertake significant annual reporting. All of these add to the upfront and ongoing costs of a community energy project. For <100kW projects, as most community solar projects in development are, the income generated from the energy assets is unlikely to cover these additional costs. These legal requirements affect both the cost of a project (in the development and operation phases) and a group’s ability to raise funds.

Two options currently work and neither are ideal:

1. Restricting your project to twenty investors or less, which reduces the community ownership and means that you need investors that can invest larger amounts in many cases \$5000 or greater.
2. More than twenty investors and pay the extra costs, meaning you need a larger renewable energy system (>400kW). This in turn restricts the number of possible host sites as there are few energy users in New South Wales that use the amount of electricity generated from a 400kW solar system during the day every day of the year. These large energy users also usually have a very low electricity tariff, which means community solar is unlikely to be of benefit financially to them. See more on this issue of host sites below.

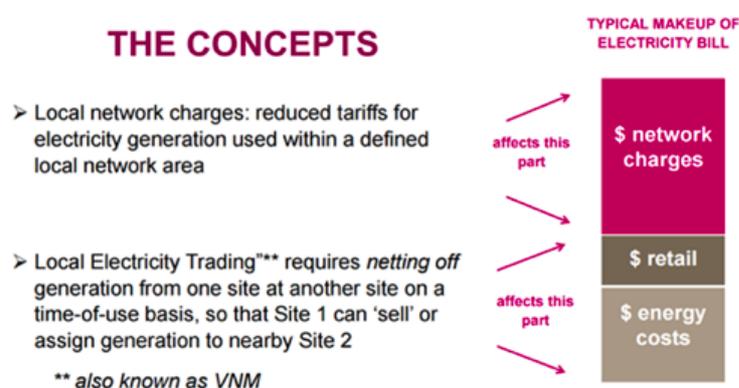
Proposed federal changes to unlock equity crowdfunding could address this challenge, [as outlined in this article](#), but this requires advocacy and support.



## Addressing high network costs

Network costs represent a significant proportion of energy consumers' bills. Currently, it is possible to capture the full variable retail value of energy (~15-18c/kWh for small commercial energy customers) if a community energy project is behind the meter, but if a community solar project wants to export electricity through the grid just a few hundred meters to customer/owners, it must pay the full cost of the grid. This fact is creating a range of perverse incentives and outcomes for all energy customers as [documented by the Institute for Sustainable Futures \(ISF\)](#).

Mainly, this means that models of community energy based on Local Electricity Trading are not financially viable (or are financially marginal), because there is no ability to pay for only partial or local use of the energy network. The Local Generation Network Credit (LGNC) rule change was one proposed solution to this challenge. The following figure explains these two concepts.



However, despite robust modelling from ISF that showed that a well-designed LGNC would both unlock new distributed generation business models and save all energy customers money, the AEMC has rejected the proposed rule. We note that the Victorian's Essential Service Commission's review of the *True value of Distributed Generation* recognises the value of (particularly dispatchable) distributed generation in reducing system costs, and is actively considering how Victoria should reflect this value to distributed generators.

For detailed analysis about how Local Electricity Trading and Local Network Charges could unlock a new model of community energy, [see the Moira and Swan Hill Council Solar Garden Case Study here](#).

## 5.2 Building capacity and knowledge sharing

A lack of capacities and skills of local communities to deliver and own renewable energy are still among the major constraints for the development of a vibrant and expanding community energy sector in NSW. As such we believe that capacity building and knowledge sharing are critical to growing a vibrant community energy sector in Australia and as such commend the intention behind the following actions in the Draft Strategic Plan:

- *Build capacity in councils in regional areas to provide advice to their communities on advanced energy*
- *Help community energy groups to share knowledge and experience with financing and delivery models to get community energy projects off the ground*
- *Deliver connection guides and business case guides for sustainable energy community and*



*residential projects*

However, we have specific concerns about some elements of these recommendations and as such recommend in their stead the adoption of the **Smart Energy Communities policy**. This includes:

1. The **establishment of at least 10 regional community hubs** like Victoria's Moreland Energy Foundation across NSW, to provide expertise, advice, coordination and support for community energy initiatives in their region.

We believe that local councils are not the best placed actors to support community energy groups and initiatives. Rather local councils themselves often need support to undertake clean energy projects. A series of independent, community and government connected hubs would be able to provide support, coordination and capacity building for a range of local energy initiatives – they would be able to be adaptable and innovative and help develop more complex, transactive models of clean energy.

We note that local councils can play an important role in facilitating local communities to develop community energy projects and internationally local councils play a vital role in fostering ideas and aspirations of their residents. However local councils have many different priorities and their work is evaluated against economic objectives. UNSW research has shown that there is often a lack of political will, understanding and commitment to walk the extra mile which is needed in community energy project. Additional, the dispersal of financial resources across a large number of local councils may result in interventions with low effectiveness.

Instead of fragmenting the Climate Change Fund support over 129 local councils in NSW, we suggest to establish 10 Regional Community Hubs. We believe that a network of Community Powers Hubs can best leverage the efforts of existing volunteers, willing contributions from the private sector and community enthusiasm for renewables and provide capacity building support and information sharing at regional level.

2. **Continued provision of grant funding** for community energy projects.

**Lack of access to early-stage, pre financial-close funding** continues to be a key challenge facing community energy projects, this relates to the fact that community actors do not typically have large reserves of capital to draw on. As such, community energy groups and organisations face difficulty in finding the funding to take a project from an idea to a tangible plan: taking it through the pre-feasibility, feasibility and planning approval stages.

These stages are the most risky for any renewable energy venture. A relatively small amount of money in the form of a government grant has been shown to make a significant difference both in Australia and around the world.

3. Funding for a **statewide network to provide capacity building support and information sharing across the state**.

Another key challenge facing the community energy sector as a whole is '**reinvention of the wheel**'. Although many community groups in NSW have mastered, adapted and learned to create innovations and to design solutions in our complex and currently constraining market environment. Without dedicated capacity building and information sharing programs, this upskill process can lead to significant reinvention of the wheel, may take a lot of time and may add costs [as outlined in the Finance and Funding sub-strategy of the National Community Energy Strategy](#).



That said, there is already a wealth of information and knowledge that has been gathered in the National Community Energy Strategy and the C4CE website, the How to Guide for Community Energy, the Embark Wiki, the Financial Toolkit and more. A key task for the state network, supported by the NSW Government is to ensure this information is kept up to date and specific information gaps with regard to new business models and latest innovation in the sector are addressed.

The network, working with the State Government should also work to address major sectoral knowledge gaps. For example a major constraint identified by C4CE is the **lack of knowledge about Co-operatives Law**. Although the legal structure of a cooperative has a regulatory framework that usually better suits the aspirations and needs of community groups, there is a lack of knowledge within the legal and accounting communities about Co-operatives Law. Additionally a lack of lawyers and accountants familiar with cooperatives law means that many community energy groups are deterred from using this legal structure, as they cannot access good and affordable advice.

To summarise, we believe that the most effective way of sharing and exchanging knowledge is through a network of Regional Community Hubs. This network on regional level can ensure that models, business plans, implementation strategies developed are shared across NSW but also across other states, as well as more broadly to regions and communities that were not successful in receiving start-up funding. Further, by developing case-studies, running training and bi-annual conferences the network can facilitate the scale up of the existing grassroots movement and help to increase local clean energy access, affordability and innovation

This **Smart Energy Communities** policy could be implemented unilaterally by NSW or as part of a national partnership with other jurisdictions similar to the National Landcare Program. For more information about the Smart Energy Communities Policy see Appendix A of this submission.

### 5.3 Additional Recommendations

Due to the Australian energy market and policy conditions there is a focus on ‘behind the meter solar projects’ in the community energy sector. Those projects usually promise to be most economically effective and a variety of viable business models have been established. However there are community energy groups in NSW and across Australia developing community energy projects with a wide range of technologies, particularly sustainable bioenergy, small-hydro, pumped hydro storage, batteries and EV charging. Examples include (but are not limited to):

- Northern Rivers Community Biohubs, progressing plans for bioenergy generation facilities at the Nimbin Valley Dairy (NVD), in Casino and Murwillumbah.
- C.L.E.A.N Cowra Inc is a Regional Community Organisation which advocates for community-owned renewable energy while developing a unique model to empower communities to generate their own energy by converting their biomass waste resources into high valued commodities, gas, fertilizers and fuels.
- Community Energy for Goulburn’s proposed 1MW solar farm (in front of the meter).
- New England Wind’s 8-12MW community-owned windfarm in the New England Tablelands.

However, the majority of these mid-scale community renewables projects will be hard to get off the ground. One of the reasons is that renewables policy in Australia has historically lacked effective support for mid-scale renewables. This has left a gap in the landscape and focussed industry development on behind-the-meter solar (supported by feed-in tariffs and the SRES) and large-scale renewables, particularly wind (supported by LRET and, increasingly, reverse auctions). However,



there are 4-5 orders of magnitude in the scale of potential renewables projects, between a residential or small commercial rooftop solar array and a 100MW wind or solar farm, that are currently (and have historically been) unsupported by policy. Community-scale renewables fit into this gap, and while community-scale projects are not necessarily community energy projects they often are.

The practice of introducing an added value stream through policy is a standard approach in any new industry development policy framework. Policies such as the RET, FiTs and Reverse Auctions provide additional value or revenue streams from which it is possible to create viable business models for small-scale, and large-scale renewables.

Community energy can be thought of as a new or emerging social/community enterprise sector that to date has lacked a coordinated policy framework to stimulate and support its development. To address this gap and support the development of a greater diversity of community energy projects C4CE recommends:

### **1. The establishment of a community energy target**

To stimulate the development of community renewable energy in NSW we recommend that the NSW Government set a target of 5-10% of NSW's renewable supply be delivered from community energy projects by 2025.

In 2011, Scotland introduced a 500MW by 2020 community energy target.<sup>2</sup> By setting this target, the Scottish Government focused policy attention and effort on developing the community energy sector. This target was achieved five years ahead of schedule in 2015.<sup>3</sup> There are some significant similarities between NSW and Scotland - both have played a clean energy leadership role and both are sub-national governments.

We urge the NSW Government to follow in Scotland's footsteps and set an ambitious, but achievable community energy target and support the community energy sector to contribute to NSW growth of renewable energy capacity. With at least 36 community energy groups in NSW and more setting up regularly, there is significant community enthusiasm, passion, time and effort that can be unleashed to help deliver a range of New South Wales Government priority policy objectives. However, as we discuss in the following section, achieving a dedicated community energy target is likely to require a complementary policy mechanism to the reverse auction mechanism outlined in the Draft Strategic Plan.

### **2. That a policy mechanism be developed to help meet this community energy target.**

As outlined above, there has traditionally been very little policy support for community and mid-scale renewable energy projects. We believe this is a missed opportunity and big gains can be made by creating a fit-for-purpose financial policy mechanism for community energy projects, in order to leverage community, public and private finance.

We suggest that the New South Wales Government should work with the community energy sector to collaboratively design a policy mechanism to encourage community energy. Further that this policy should be underpinned by a series of principles, for example:

- Encourage collaboration;

<sup>2</sup> [www.gov.scot/Publications/2011/08/04110353/5](http://www.gov.scot/Publications/2011/08/04110353/5)

<sup>3</sup> <http://news.scotland.gov.uk/news/community-renewables-meets-target-early-1df6.aspx>



- Be simple to administer, with clear, objective success criteria;
- Minimise political risk through not requiring ministerial or departmental sign-off on every eligible project;
- Enable projects over a broad range of sizes;
- Focus on delivering the multiple benefits or value propositions associated with community energy particularly the social benefits, in addition to environmental, technical and economic benefits.

These principles could be delivered through a fit-for-purpose community energy auction, a community Feed-in Tariff or similar policy mechanism.

It is vital that any community energy policy mechanism is fit-for-purpose and contractually simpler for community energy project proponents as well as Government. Many community energy projects are designed and managed by volunteers. The resources, both in terms of time and cost, to deliver a typical auction application and adhere to the contractual and compliance activities over the life-cycle of a project (25 years plus), is too onerous for a community group developing a relatively small project, and in many cases impacts the financial viability.

At the same time, it is likely that a tailored policy and program will still have requirements beyond the capacity of many community energy groups at this time. This underpins the need for the Regional Community Hubs as detailed above.

In designing the policy, it is important to draw on the experience from Europe and here in Australia. For example the ACT Government program has brought up issues of perceived political risks that come with an energy policy based on government selection rather than mass-market requirements (such as the certificate trading scheme underpinning the national RET). This perceived risk will need to be considered in the design of an appropriate policy mechanism. European trends are showing the impact of auctions on the community energy sector as community-scale projects typically cannot compete against commercial projects. The World Wind Energy Association is now advocating for a 'diversity of players' in forthcoming auctions in Germany so that community energy can still participate and have a designated portion.

In summary we believe that increasing the diversity of technologies and services in the community energy sector will contribute to the resilience of the energy system in general and incur benefits beyond those associated with renewable energy and carbon reduction. Those benefits include increased energy literacy, community empowerment, local job creation, increased regional self-sufficiency and contributions to local economies. However, this is unlikely to happen without the recommendations outlined in this submission.

Note we respond to the action - *investigate the best ways to encourage developers to share the benefits of renewable energy projects* in our response to Section 2.1 of the Draft Strategic Plan below.



## 6. RESPONSE TO SECTION 2.1 – MAXIMISE INVESTMENTS UNDER THE NATIONAL RENEWABLE ENERGY TARGET

Australia is experiencing the increasing effects of climate change. Public surveys from CSIRO or Lowy Institute show that a strong majority of Australians support a wide variety of initiatives to both mitigate and adapt to the potential impacts. In particular renewable energy are evaluated positively by a significant majority with 91% of NSW residents support renewables and 83% say NSW should be generating more electricity from renewable sources<sup>4</sup>.

On November 9, 2016 Australia ratified the Paris Agreement and has with (currently) 116 other states officially committed to the goal of limiting global warming to “well below 2°C” above pre-industrial levels, and to pursue efforts to limit temperature rises to 1.5°C. This commitment requires a rapid transformation of our energy system including strong support for renewable energy.

However, while other states walk ahead: Victoria with a target of 1800 MW by 2020 and 5400 MW by 2025, ACT with 100% of their energy use by 2020, and Queensland with 50% by 2030, NSW is falling behind when it comes to attracting renewable energy investment and jobs, which is evident in plan’s proposal of only 540 MW of renewable energy projects over five years.

States that move more quickly on renewables are likely to capture more of the supply chain and thus the economic benefits of this growing industry. As is highlighted in the [Homegrown Power Plan](#) there is no shortage of evidence that jurisdictions that act early have lower long-term costs. Government modelling back in 2007 found a 15 per cent early-mover dividend for countries that take the lead on decarbonising their economies.

Yet, instead of increasing the ambitions the draft plan proposes cutting government investment in renewable energy by 80% - from \$214m in 2015 to \$40m per year over the next 5 years (Climate Change Fund draft plan, page 10).

We suggest the following four measures to support effective renewable energy policy in NSW and take advantage of the federal Renewable Energy Target to 2020.

### 6.1. Setting measurable objectives

Setting measurable and staged (i.e. in 5 or 10 year blocks) objectives are essential to track the progress as well as effectiveness of NSW renewable energy policy. We recommend setting a program goal of attracting \$7 billion investment, or installing 4.8 GW, or achieving 23.5% renewable energy generation by 2020.

### 6.2 Increase the scale of the contracts-for-difference mechanism

The lack of policy certainty beyond 2020 is a key barrier to additional renewable energy projects being built in Australia, and NSW could overcome this barrier at very low cost, while capturing thousands of jobs and billions of investment for regional NSW. The plan proposes using contracts-

<sup>4</sup> Newspoll, NSW Office of Environment and Heritage, April 2016, available at: <http://www.environment.nsw.gov.au/communities/community-attitudes.htm>



for-difference to provide investor certainty for up to 250 MW of renewable generation (section 2.1). This action should be increased tenfold to 2500 MW to ensure that NSW captures its fair share of the national renewable energy target.

### 6.3 Encourage community engagement and ownership in large-scale renewable energy developments.

Large-scale renewable energy developments are an essential part of the clean energy transition. At the same time public support for renewable energy is paramount for the smooth, timely delivery of projects. This will require the creation of conscious culture and practice change process in which government, industry, communities and NGOs all participate. The right conditions will enable the public to become the best advocates for renewable energy and drive change. We see the keys to generating conditions of social support as being:

- Quality community engagement
- Appropriate benefit sharing
- Increased education and understanding (and dispelling myths)

In particular we commend the inclusion in Section 2.5 of an action around proactive encouragement of **partial community ownership or sophisticated benefit sharing schemes** for the large-scale renewable energy projects delivered through the contracts for difference mechanism.

As a result of the ACT reverse auction process one of the successful bidders - CWP's Sapphire Wind project, is pioneering this approach. They are opening up part of the Sapphire Wind Farm to local community investment with the founding of Sapphire Community Investments. While the project is being built in NSW, it is really a testament to the ACT Government's leadership. As such, based on C4CE members' experience in participating in the ACT reverse auction process, we have the following specific recommendations for the NSW Government.

#### **Include non-cost-based selection criteria**

It is essential that NSW's reverse-auction/contract-for-difference scheme include non-cost-based selection criteria. Specifically:

- **Community engagement & benefit sharing.** The inclusion of selection criteria for evaluating community engagement and benefit sharing practices is an excellent way to encourage industry best practice and community support for developments. We highly recommend the inclusion of these criteria.
- **Economic Development/Local Content.** We recommend the inclusion of this criterion in the reverse auction process, as it will help to direct greater benefit from renewable energy development to the NSW community. Unfortunately, in the past, renewable energy support mechanisms have not been stable enough to foster the industry security needed to invest in whole of supply chain development for renewable energy. The closure of wind turbine mast manufacturing at Portland is one example of the negative impacts of volatility in renewable energy markets and policy environments in Australia. We hope the NSW Climate Fund Strategy is able to go some way to reversing this trend.



### **Include a carve-out for flexible and dispatchable renewables**

We highly recommend that the NSW Government include a carve-out of approximately 5% of the contracts for difference process dedicated to delivering flexible and dispatchable renewable energy solutions, which could also include storage and flexible demand solutions.

As outlined in the [Homegrown Power Plan](#), a dedicated auction round could be undertaken by the NSW Government with specific selection criteria designed to deliver renewable energy and storage technologies that provide important energy system support, such as flexibility or dispatchability, to the locations that need it. With the support of AEMO, it should be possible to design the auctions to specify what outcomes are needed (dispatchable capacity support, voltage control and so on) without being prescriptive about technology.

### **Establish a series of Regional Community Hubs**

The regional community hubs component of the Smart Energy Communities policy outlined in Section 5 of this submission could have the added benefit of playing a trusted brokering role between communities and large renewable energy developers – proactively facilitating local ownership and better community engagement of large renewable energy projects.

## **6.4 Ensure a just transition with renewable energy projects supported in regions impacted by coal-fired power station closure.**

Different regions in Australia are already experiencing the closure of coal-fired power plants. Indeed the closure of coal-fired power stations in NSW is now inevitable due to age and Australia's international obligations to meet the climate change targets. Respective communities in New South Wales, Victoria and South Australia are particularly vulnerable to economic hardships if the shutdown is implemented without a transition strategy in place.

The NSW Government has recognised the need for an 'orderly energy transition' to deliver benefits for NSW households and businesses. We believe that it is particularly important for communities with coal fired power stations to also benefit from an orderly and *just* transition.

Change is always difficult, but it becomes less so when those most affected by change are empowered to take control of their future. Around the world we are seeing the rise of new clean power sources from solar PV and wind, to batteries and smart devices. These technologies are modular and applicable in a wide range of contexts.

Communities experiencing the shutdown of coal-fired power stations need to be supported to develop comprehensive local economic plans and clean and renewable energy initiatives should be a component of these plans.

Communities with coal-fired power stations have access to excellent grid infrastructure and electricity and energy know-how. With support, this infrastructure and skills can be catalysed into a range of clean-energy enterprises associated with the available renewable energy resources in these areas.



We call on the NSW Government to support communities facing the closure of coal-fired power stations to innovate and take advantage of advanced energy technologies.

## 7. RESPONSE TO SECTION 3.4 AND 3.5 – DRIVE CLEAN ENERGY UPGRADES FOR RENTAL HOUSEHOLDS AND SUPPORT VULNERABLE HOUSEHOLDS TO REDUCE THEIR ENERGY BILLS

We would like to acknowledge that the NSW Government has made clean energy accessibility and affordability a focus of the Draft Strategic Plan (Sections 3.4 and 3.5). This is a focus for many community energy groups in NSW. Due to a number of market barriers, many households are excluded from partaking in the energy transition and accessing the benefits of clean energy. Among those ‘locked out’ are tenants, apartment dwellers, those without solar access and low-income households. Statistics show particularly poor solar penetration rates in postcode areas with the lowest socio-economic conditions, while the highest are in the second lowest-income quintile (it may surprise some that the uptake of solar in the highest income quintile post-codes are almost as low as the lowest income quintile).

Hence we particularly support:

- The focus on renters and the proposal to provide ratings for homes at the point of sale and lease and improve energy performances of tenanted houses
- The focus on social housing and looking at ways that concession schemes could be used to achieve lower bills and improved energy productivity/clean energy deployment.

### 7.1 Focus on promising models

There are a number of models that would be suitable for vulnerable households or renters/homeowners who cannot access renewable energy. We would like to encourage the NSW government to particularly support the development of these models including:

- **Solar Gardens:** An innovative way to help ‘locked out’ customers reduce their electricity bill is through the establishment of central solar facilities known as solar gardens, where households and businesses own shares or a number of panels and the energy generated is credited on those customers’ energy bills. The benefits of this model are its solution to address key market failures particularly split incentives, solar access and complexity. For example it would enable renters to bypass the landlord-tenant split incentive issue by buying into a solar garden and getting a credit on their electricity bill. For tenants, this is a much more viable alternative than putting solar on the roof of a rental property. For more on solar gardens model see the Renewables for All Briefing Paper: [Solar Gardens](#)
- **Rate based financing:** The main form of rates-based financing currently being pursued in Australia is Environmental Upgrade Agreements (EUAs) for commercial buildings. EUAs are only allowed under special amendments to the Local Government Act in NSW. However, so far there have only been a few uses of this mechanism. Yet, examples such as the Darebin Solar Savers in Victoria demonstrate the great benefits rate-based finance can have for households. The Darebin Solar Savers is a program developed by Darebin City Council, which saw the installation of solar PV on 300 low-income households in the City of Darebin in its first year. The cost to these households was free up-front, with repayment occurring over 10 years through a special rate/charge; the solar PV system was scaled to ensure households



were better-off (through lower electricity bills) from day one. The Council partnered with Moreland Energy Foundation and Energy Matters (now Sun Edison) to deliver the program.

For more on rate based financing see the Renewables for All Briefing Papers: [Rates Based Financing](#) & [Rent Based Financing](#)

Specifically, we recommend that the NSW Government:

- Work to remove the regulatory and legislative barriers to these models (see Section 5.1 of this submission)
- Fund trials of their development
- Institute the Smart Energy Communities program. In particular the Regional Community Hubs have important role to play in facilitating/brokering these more innovative and complex clean energy models and programs for vulnerable and locked out energy users e.g. rates-based financing, rent-based financing, social access solar gardens etc.

## MORE INFORMATION

For more information about any of the ideas and recommendations provided in this submission please contact:

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## APPENDIX A: SMART ENERGY COMMUNITIES POLICY OVERVIEW

*Bringing together families, communities, small business and landholders to deliver practical smart energy projects*

### Australians love local renewables

Energy efficiency, renewable energy and the smart grid are the new frontier, not only for local environmental conservation but also economic development and community empowerment.

**It's popular:** 63% of Australians would be more likely to vote for party with a policy to ensure solar is installed on every home that is suitable and on buildings like hospitals and schools.

**It's affordable:** average installed solar PV prices have fallen 30% since 2012.

**It's spreading fast:** There are now over 80 community energy groups and over 50 operating community energy projects. 27% of the voting public now live under a solar roof.

**Its an international trend:** In Germany 47% of all installed renewables is owned by citizens and communities. In Scotland there are over 500 community energy projects, delivering affordable energy, independence and start-up funding for new regional enterprises.

**But red tape and an outdated energy market are holding back the smart energy rollout:** More than 35% of households - including renters and apartments - are not able to put solar on their roof. Community energy means they can still invest in our energy system, even without their own rooftop. But to date projects have been hampered by outdated market rules and regulations that get in the way of innovative communities wanting energy independence.

Just \$140 million in combined state and federal funding over the forward estimates period (a total of \$460 million dollars over 10 years) could unlock over \$2billion in investment in local smart energy projects across Australia, helping to create local jobs opportunities to reduce power bills while cutting greenhouse gas emissions.

The Smart Energy Communities program would leverage the efforts of existing volunteers, willing contributions from the private sector and community enthusiasm for renewables, to support all Australians to access innovative and emerging energy technologies.

### What is the Smart Energy Communities Program?

Communities across Australia are determined to build their own clean energy projects, which can be delivered by connecting them with the right technical expertise, innovative funding and red tape removal.

Smart Energy Communities will support volunteer community energy groups to access legal and technical expertise, tools and funding to deliver practical smart energy projects in towns and suburbs across Australia more quickly and efficiently. The program would also remove the red tape holding back innovative community energy enterprises.

Projects eligible for funding in communities across Australia could include:



- Community solar farms
- Farmer bioenergy projects
- Community battery builds
- Solar gardens for renters (overcoming the split-incentive barrier)
- Peer-to-peer energy trading, using smart energy technology
- Community electric vehicle solar charging
- Community wind farms
- Community council partnerships to deliver energy efficiency and innovative solar financing solutions
- Community partnerships with developers (property and renewables)

## How the Smart Energy Communities Program would work

The core elements of the Smart Energy Communities Program draw on the framework for the National Landcare Program.

	Smart Energy Communities Program	National Landcare Program <sup>5</sup>
<b>Aim</b>	To halve the build time for community energy projects, by connecting communities with the expertise and early stage funding they need to deliver smart energy projects.	“To harnesses individuals and groups to protect, restore and sustainably manage Australia’s natural environment and its productivity.”
<b>Organisations</b>	Establish 50 <b>Community Powerhouses</b> - NFP organisations or social enterprises in 50 urban, regional and remote areas across Australia. Start-up funding for 2 years and ongoing 1/3 matched operational funding. Community Powerhouses would support many local volunteer community groups in their regions.	Regional funding stream – this is investing “over \$450million throughout Australia’s 56 natural resource management organisations over four years. This funding recognises the crucial role the 56 regional NRM organisations play in delivering NRM at a local and regional level.”
<b>Programs and Funding</b>	A <b>Community Energy Innovation Grant Fund</b> would provide funding for community clean energy organisations (both those with and without start-up funding) to develop local	National funding – this is funding is delivered directly by the Australian Government to support local implementation

<sup>5</sup> Drawn from [www.nrm.gov.au/](http://www.nrm.gov.au/)



	renewable community plans and develop and pilot and scale-up new models of community clean energy, that enable community members, renters, farmers, small businesses and more to participate in and benefit from clean energy.	of priority programs such as Clean Up Australia, Whale and Dolphin protection and 20 million Trees
<b>Capacity Building Network</b>	A <b>Smart Energy Communities Network</b> would ensure that models, business plans, implementation strategies developed are shared across the 50 Community Powerhouses established, as well as more broadly to regions and communities that were not successful in receiving start-up funding. The Network would also be tasked with developing case-studies, running trainings and a bi-annual conference.	Network and capacity building funding – funding is provided for strategic support that increases the capacity of Landcare Networks, including through information sharing programs and initiatives such as the Landcare Conference and the National Landcare Facilitator.



## APPENDIX B: COMMUNITY ENGAGEMENT AND BENEFIT SHARING

### RECOMMENDED DESIGN FEATURES OF THE REVERSE AUCTION SCHEME

Community Power Agency's experience of being involved in assessing the ACT auctions shows that even a relatively small weighting of 20% for this criteria has encouraged better community engagement and benefit sharing practice within the renewables industry. However, the advancement in community engagement and particularly benefit sharing practices is yet to occur at the scale or depth that NSW is likely to need. As such, C4CE suggests that the NSW Government may need to take additional actions to encourage strong community engagement and benefit sharing.

Specifically, we suggest:

- A widespread public education and engagement campaign around renewable energy. We encourage the government to support other actors (eg NGOs, schools) to complement efforts of the renewable energy industry in this endeavour, to build sources of trusted and independent information and advice within communities. Something similar to the NSW government's Regional Clean Energy Program<sup>6</sup> which appointed regional renewable energy advocates may be worth considering or the Community Powerhouses Policy<sup>7</sup> adopted by Federal Labor<sup>8</sup>, which develops clean energy community hubs (similar to the Moreland Energy Foundation) in regions across the state. Such initiatives could also play a role in brokering relationships between renewable energy developers and communities, as well as with organisations with specialist community energy engagement skills.
- Weighting community engagement and benefit sharing criteria for at least 20% of the auction scoring.
- Setting clear minimum expectations for community engagement and benefit sharing (e.g. presence of a community benefit fund, community consultative committee, neighbourhood benefit plan).
- Setting clear expectations of further community engagement and benefit sharing arrangements that would be viewed favorably (e.g. presence of community co-investment or co-ownership, opportunities for community deliberation, education partnerships, etc.)

In addition, we would request that the community engagement criteria not be listed last or have the lowest weighting, as it could thus be perceived as being least important.

From our experience in being involved with the ACT process, we believe the following are important features of the design of the community engagement and benefit sharing criteria and judging:

- Evaluation criteria should include:
  - The diversity and regularity of engagement activities (e.g. across project phases, including one-way and two-way communication);
  - Depth of benefit sharing proposed (e.g. co-investment, co-ownership, grant funds);

<sup>6</sup> <http://www.environment.nsw.gov.au/communities/clean-energy.htm>

<sup>7</sup> [https://d3n8a8pro7vhmx.cloudfront.net/solarcitizens/pages/1211/attachments/original/1461219971/Community\\_Powerhouses\\_Policy\\_-\\_Homegrown\\_Power\\_Plan.pdf?1461219971](https://d3n8a8pro7vhmx.cloudfront.net/solarcitizens/pages/1211/attachments/original/1461219971/Community_Powerhouses_Policy_-_Homegrown_Power_Plan.pdf?1461219971)

<sup>8</sup> [www.laborsclimatechangeactionplan.org.au/renewable\\_energy\\_economy?\\_ga=1.219830745.1777121443.1472642032](http://www.laborsclimatechangeactionplan.org.au/renewable_energy_economy?_ga=1.219830745.1777121443.1472642032)



- Contributions to general education and awareness raising (e.g. tours, events, scholarships, school programs);
- Evidence of support in the community (e.g. letters of support, partnerships; survey outcomes);
- Evidence of community deliberation / input into decisions (e.g. effective community consultative committee, neighbourhood meetings, workshops);
- Partnerships with local organisations and business (e.g. suppliers, conservation groups, aboriginal groups, etc);
- Evidence of responsiveness (e.g. changed in micro-siting or design of the wind farm or operation of the grant fund, etc.)
- The review panel should include someone who is a leader in community engagement specialising in renewable energy engagement.
- The application format should require a level of consistency of information across applications, including contextual information about the location of the development (eg. closest settlement, number and distance to nearest dwellings, type of surrounding land use) and the design features of the overall project (eg. total number of turbines, size of turbines, location relative to landscape features and houses), as well as community engagement and benefit sharing reports and plans (covering both what has been done and what is planned in the future).
- The submitted Community Engagement Plan (CEP) and Benefit Sharing Plan (BSP) should form part of the contract for the award of the tariff and a follow up process should be put in place that requires successful companies to acquit their activities at workable intervals
- The review process should allow for the ability to provide recommendations for additional actions to consider including the CEP and BSP
- To help drive practice and culture change, the review process should provide feedback to all applicants and provide them with a ranking of how they performed relative to the cohort.

For more detail, please refer to: Lane, T. and Hicks, J. 2014. 'Best Practice Community Engagement in Wind Development'. ACT Government Environment and Planning Directorate. Available [www.cpagency.org.au/resources](http://www.cpagency.org.au/resources). We further recommend that the NSW Government draw on the outcomes of the ongoing research project into enhancing positive social outcomes in wind development, currently being undertaken by the Clean Energy Council, Community Power Agency and Embark.

