Smart Energy Communities Policy Brief

Why the Smart Energy Communities Program?

The Energy Transition

The transition to clean energy can achieve both social and environmental goals. While millions of Australians are able to access the benefits of solar and energy efficiency to help reduce carbon emissions and their electricity bills, currently renters, apartment dwellers and the lowest-income households are locked out of the renewables transition. Change is needed to ensure a just transition.

Further, there are a range of actors looking to participate in and benefit from the transition to clean energy, from farmers to local councils, community groups to small business. Unlocking the resources – land/roof-space, finance, staff time of these organisations will not only support them to manage their power bills, it will also build social and political support for the transition to clean energy in Victoria.

The Smart Energy Communities program provides the coordination, expertise and funding needed to implement clean energy initiatives that empower and benefit locked out energy consumers, regional communities, farmers and a range of other local energy actors.

Market failures

The market alone is not delivering clean energy solutions to locked out energy users. These users face substantial market barriers, including:

- Split incentives faced by renters - whereby neither landlord nor tenant accrues sufficient benefit from installing solar or energy efficiency measures to warrant doing so, leaving renters with ever higher energy bills.

- High upfront costs - low-income households typically cannot afford the outlay for many clean energy measures, although they would save money. Available finance products are typically not appropriate as either the interest rates are too high or the low- income household is not eligible due to credit-rating issues.

- Complexity, confusion and imperfect information – the clean energy industry is relatively new and as such there is limited understanding of what constitutes a good product or service. In addition, Australia's energy retailers are trusted less than the big banks (The Guardian, 2015). Households, businesses and other actors wanting to participate in the clean energy revolution are therefore unsure of who to turn to for good advice.

- High transaction costs – the models that have been developed to address these previous market barriers such as Darebin Solar $avers or the Pingala Remote Aboriginal Communities project, are more complex business models with multiple partners organisations. Multiple partner organizations add transaction costs, which in turn means these models are more expensive for end users. In addition these models require a duty of care to vulnerable households and require significant face-to-face time to build trust.

The Smart Energy Communities program will help deliver initiatives to overcome these exact barriers by bringing together and coordinating community engagement specialists, technology providers, ethical finance providers and social entrepreneurs.

How the Smart Energy Communities Program would work

The core elements of the Smart Energy Communities Program are based on the framework for the National Landcare Program.as illustrated in the table below. Note the Smart Energy Communities program is scaled to Victoria, whereas Landcare figures are national, though the Victorian Government plays an important role..

	Smart Energy Communities Program	National Landcare Program
Organisa-tions	Establish 10 **Regional Energy Hubs** - NFP organisations or social enterprises in 10 urban, regional and remote areas across Victoria. Start-up funding for 2 years and ongoing matched operational funding. Regional Energy Hubs 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."
Programs and Funding	A **Community Energy Innovation Grant Fund** would provide funding for community clean energy organisations (both those with and without start-up funding) to develop local 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.	Funding – this is funding is delivered directly by the Australian Government to support local implementation of priority programs such as Clean Up Australia, Whale and Dolphin protection and 20million Trees
Capacity Building Network	A **Smart Energy Communities Network** would ensure that models, business plans, implementation strategies developed are shared across the 10 Regional Energy Hubs 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.

Smart Energy Communities - The picture in Victoria

Regional Energy Hubs are organisations that leverage the efforts of existing community energy volunteers, willing contributions from the private sector, community enthusiasm for renewables and government funding. Hubs form the backbone of the Smart Energy Communities Policy and work to support all Australians to access innovative and emerging energy technologies such as solar and battery storage.

In 2017 the Victorian Government committed to funding three pilot regional community energy hubs in the state. This year the sites for those hubs were announced, with pilots to be established in Ballarat, Bendigo and the Latrobe Valley.

The initial funding for the policy announced by the Hon. Lily D'Ambrosio MP, totalling $900,000, was an important first step to seeing pilot hubs up and running in Victoria. To ensure individuals and communities are not left behind as the energy market undergoes rapid change, **increased funding**

should be made available to expand the scope of this program to include the other elements of the Smart Energy Communities Program.

An expanded Regional Energy Hub program

Victoria is the first Australian state to commit to funding a community energy hub network, and can be rightfully proud of this leadership. An expanded network of regional energy hubs is best placed to ensure the sector continues its recent growth, while capitalising on the enormous community and commercial interest in renewable energy. This expansion should see more hubs established to cover other areas in the state and increased funding to improve the capacity of the individual hubs.

Funding certainty is important for businesses and individuals seeking to work in the community energy space. Committing the necessary ongoing funding for regional energy hubs will allow them to get on with the job of repowering Victoria's communities by delivering community energy projects, energy efficiency, demand management and energy literacy programs.

Grant funding

The Smart Energy Communities program calls for funds to be made available for the grant funding needed to get new projects of the ground. A well resourced grant program is required to ensure individuals and groups can explore new projects and, significantly, new models for community energy schemes.

In light of the above, we believe grant funding should be made available at three levels:

1. Pre-feasibility/feasibility study funding <$30k

   This funding would be for community energy groups and potentially other local energy actors such as farmers to access funding to determine whether their project ideas are feasible, technically, socially and financially. These grants should be capped at $30-50k per project and may be as small as $10k per project.

2. New model development ~$150k

   This would be for groups or organisations that have a proven track record in delivering successful community or socially beneficial energy initiatives, who have an idea for a model that is not currently operating in Victoria. Funding should be capped at $150k per new model.

3. Development and implementation of Zero Net Energy community plans $400,000 over 3-4years.

   Building on the success of the Zero-Net Energy Town Blueprint for Uralla, there are communities across Victoria that are looking to become more energy self-sufficient and carbon neutral. We suggest that Victoria make grant funding available to support these communities to develop and implement plans to move their community to zero-net energy/emissions. Funding will likely to be needed over at least 3-4years.

Note: Grant funding in categories 2&3 should be milestone based to ensure projects are meeting agreed targets.

Program Costs

In total we envisage the Regional Energy Hubs and community energy grant programs costing $24.85million over four years (2018/19 through 2021/22) and $70.65million over 10 years (2018/19 through 2027/28).

Community Power Agency will be advocating for the set-up of the Regional Energy Hubs program both in other jurisdictions and nationally. As such we could envisage in the future some of this funding commitment coming from the Federal Government. The Federal ALP has committed $98.7m to a Community Power Hubs program and network of 10 hubs nationally.

Modelling conducted by [Marsden Jacobs and Associates](#) suggests that the project funding provided would leverage between $10-$17 of community investment in clean energy for every $1 of govern-

ment spending.. These results do not account for the thousands of volunteer hours that could be leveraged through a Smart Energy Communities program.

Suggested budget

Item	Unit cost	Total Cost – 4 years–2018/19-21/22	Total Cost - Decade– 2018/19-27/28
3 existing Regional Energy Hubs – 1-year increased establish-ment funding	$250,000 per hub in 2018/19	$750,000	$750,000
7 new Regional Ener-gy Hubs – 2-year es-tablishment funding	$500,000 per hub from 2019/20	$3.5million	$3.5million
10 Regional Energy Hubs – ongoing matched funding – 8 years	$400,000 per hub p/a 3 hubs from 2019/20 7 hubs from 2021/22	$6.4million	$30.4million
Grant funding*		$13million	$33million
State-wide capacity building & info sharing network	$300,000 per year	$1.2million	$3million
Total		**$24.85million**	**$70.65million**

*This is based on an assumption of funding approximately 100 feasibility studies, 30 new models and 15 community Z-NET plans over 10years.