

Policy Brief – Expand the NSW Regional Community Energy Program

Policy proposal

Expand the current NSW Regional Community Energy Program to:

1. Include metro areas
2. Provide additional grant funding for community energy projects, including through the feasibility stage of project development.
3. Establish 5 Regional Clean Energy Hubs across the state.
4. Establish a capacity building program

This program approach can be thought of as Landcare for Clean Energy. The National Landcare program that the NSW Government has supported for more than 25 years, consists of 56 NRM organisations (Hubs), supporting thousands of volunteer Landcare and Coastcare Groups, connected by a National Landcare Network (capacity building network).

1. About Community Energy

Community energy projects are those where people come together to develop, deliver and benefit from clean energy.

In Australia, there are now over 105 community energy groups and over 150 operating community energy projects.

In NSW there are 36 community energy groups (~1/3 of groups nationally), 28 of which are based in regional NSW.

Figure 1: Community energy groups across Australia



Source: <http://cpagency.org.au/resources/map/>

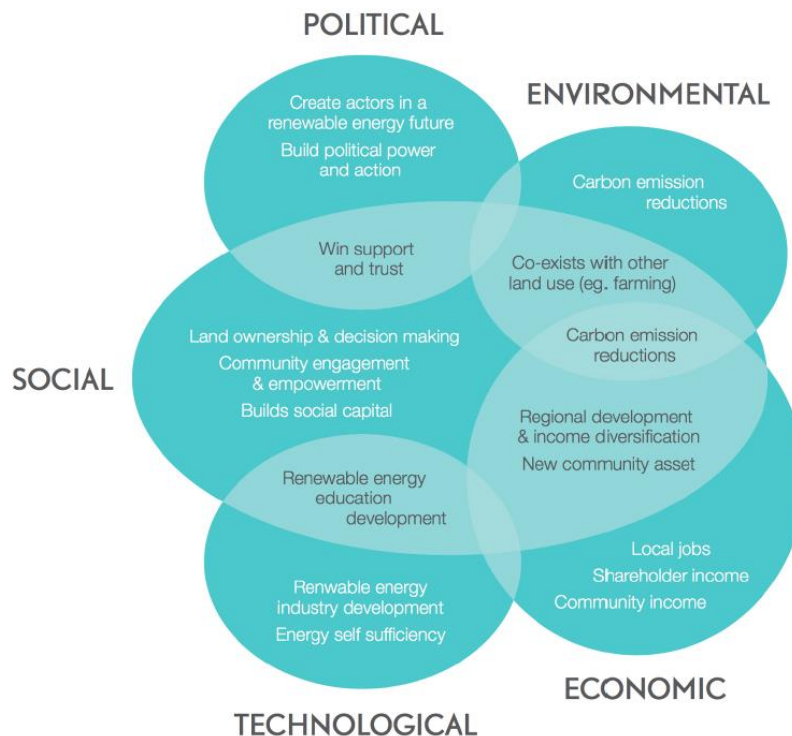
Internationally community energy is more successful than in Australia. In Germany, in 2012, 47% of all installed renewables was owned by citizens and communities. In Scotland there

are over 500 community energy projects, delivering affordable energy, independence and start-up funding for new regional enterprises.

2. Community Energy Benefits

Community energy - bringing together families, communities, small business and landholders to deliver local energy projects.

Figure 2: Motivators and benefits of community energy (Hicks, J. & Ison, N., 2012)



The transition to clean energy systems offers great opportunities for citizen participation and can provide local, regional and national benefits in a multitude of ways. These include but are by no means limited to:

Enabling communities to take back control: new clean technologies enable individuals and communities to take ownership and control of their electricity supply, as well as benefit from the outcomes, and ultimately influence the social context of the energy transition.

Increasing social licence and public support for clean energy: Community energy projects build social licence for renewable energy development by engaging local people and broader communities in the process of developing, owning and benefitting from renewable energy development.

Making renewables accessible and affordable for all: innovative community business models help different customer segments such as renters and locked out energy users to access and benefit from clean and cheap renewable energy electricity.

Empowering and building local capacity: community energy projects make greater use of local content and empower communities to innovate, participate and benefit from the

renewable energy transition. This in turn increases local skill development, which can be leveraged by regional businesses into contracts in the wider renewable energy industry.

Creating local jobs and regional economic development: a community ownership component of a renewable energy project leads to greater economic benefits for the local community. Research suggests the local economic benefit increases by 1.5-8 times.

3. Barriers to Community Energy

Access to early-stage funding: A major barrier community renewables projects face is finding the funding to transform an idea for a project into a tangible plan, which involves going through the pre-feasibility, feasibility and planning approval stages. This is often aggravated by a lack of capacity, knowledge and skills in communities.

Grid connection costs & process: the cost of connecting mid-scale renewables projects to the grid is prohibitive and kills the business case for community-scale solar and wind-farms.

4. History of Community Energy in Australia

Community energy projects firstly emerged in the 2000s in Australia, initiated by pioneers having experienced similar projects in Denmark or Germany. Since then a movement has started spreading across the country.

Milestones on the way are:

2000 - 2010 onwards – communities come together to do solar bulk-buys, helping to stimulate the rooftop solar boom.

2011 – First two community wind farms start operating – Hepburn Wind (Victoria), Denmark Community Wind (WA). Supported respectively by the Victorian Government and the Howard Government's Remote & Regional Power Generation Program (RRPGP).

2013 – **NSW Government releases their first community energy grant program.** First community solar project starts operating – Clearsky Solar Investments

2014 – First Community Energy Congress held in Canberra bringing together 340 people from across Australia. Three more community solar projects start operating including CORENA – a revolving fund donation model for community organisations. ACT Government announces a community solar program. **NSW Government opens their second community energy program.**

2015 – Victorian government funds two community energy projects. First community-owned retailer – Enova completes their share offer. Many more community solar projects start operating.

2016 – The community energy sector grows rapidly to more than 80 community energy groups and more than 50 operating community energy projects. The Victorian Government opens their New Energy Jobs fund to community energy groups, both the NSW and Victorian Governments include community energy in their strategic energy planning.

2017 – Second National Community Energy Congress was held at Melbourne and brought more than 600 people from across the country together. The Victorian Government pilots 3 Community Power Hubs. More community energy groups want to help address fundamental barriers to provide access to renewables for all. Models become more complex so don't stack up by themselves (as overcoming fundamental market failures like split incentives).

Yet there is still limited or no government support. Project ideas include Stucco, Darebin Solar Savers and Solar Gardens.

2018-2019 – NSW Regional Community Energy Program Announced and launched.

5. Policy - Regional community energy program - Grants

Community Power Agency proposes that the NSW Government expand its current Regional Community Energy Grant Program to support more innovative local and community energy projects across the state. We suggest that the grant program should be structured into three areas:

1. Funding for **community energy pre-feasibility/feasibility studies**. This 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 \$60k per project and may be as small as \$10k per project.
2. Funding should be made available to **develop new models of community energy**. 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 NSW. Funding should be structured similar to the current Regional Community Energy Grant Program.
3. Finally funding should be made available to consortiums of organisations to develop and implement **Zero Net Energy community plans**. Building on the success of the Zero-Net Energy Town Blueprint for Uralla and Hepburn Shire, there are communities across NSW that are looking to become more energy self-sufficient and carbon neutral. We suggest that NSW make grant funding available to support these communities to develop and implement plans to move their community to zero-net energy/emissions. Funding should be capped at \$500,000, with work likely to be needed over at least 3-4years.

Grant funding in categories 2&3 should be milestone based, with funding only released when milestones are achieved.

6. Policy - Regional community energy program - Hubs

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

To start off, these Hubs would have funded staff with technical, legal, community engagement and finance expertise working to develop partnerships with councils, funders, technology providers and other stakeholders to deliver a range of new renewable energy business models that would deliver a just and speedy transition to clean energy. They would also provide support and advice to local actors such as farmers, community energy groups, small business and more.

These Hubs would be connected to regional institutions such as councils and regional development organisations and would deliver programs that were relevant to their region.

The Hubs would also be connected through a state-wide and ultimately national network, to ensure that the lessons learnt in one region do not have to be re-learnt elsewhere.

We propose that five Hubs are established across NSW in areas that are hotspots of broader renewable energy activity and are also politically relevant.

The Hubs would be receive start-up funding for two years, in which time they would have to deliver:

- Five functioning regional energy hubs, with a well established governance structure
- At least one successful new clean energy initiative/project in each of the five regions
- A solid business plan, for how the Regional Energy Hub will secure matching funding in the 2-3 following years.

The Hubs would then be provided with 60% matching funding for 2-3years ongoing for a decade.

7. Policy - Regional community energy program – Capacity Building Network

We propose that the Regional Community Energy Program also includes a Capacity Building Network. This Network would ensure that models, business plans, implementation strategies developed are shared across the 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. The Network would build the capacity of communities, local governments, charities and farmers across the state to deliver successful local clean energy projects.

8. Program Costs

Overall, the Smart Energy Communities Program would require a minimum investment of \$38 million in state funding over the forward estimates period and a total of \$87.5 million dollars over 10 years.¹ It is critical that, as with Landcare, there is a decade-long commitment, to ensure that long-term support programs can be implemented.

In this space, it has been a case of too many pilots and not enough airplanes. A long-term, well-funded Regional Community Energy Program would make the local transition to clean energy fly, while ensuring that all Australians, no matter how much they earn or where they live, are able to take control of their power bills and access affordable, clean and renewable electricity.

Further, 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 government spending. Matching funding requirements in the operation phase of the Regional Energy Hubs would require *at least* \$1 of matching fund for every \$1 of government funding and this does not include the thousands of volunteer hours that will be leveraged through the program.

The Regional Community Energy Program would ideally be implemented as a partnership between federal and state governments. However, in the current absence of federal

¹ Costings N. Ison analysis.

leadership, states could pilot their own programs. Over time, the Regional Community Energy Program would leverage community, local government and private investment through a range of innovative approaches.

Suggested additional budget

Item	Amount 4-years	Amount 10-years
Regional Energy Hub Set-Up	\$5,000,000	\$5,000,000
Regional Energy Hubs Matching Operational Funds	\$10,000,000	\$40,000,000
Grant funding program	\$20,000,000	\$35,000,000
State-wide capacity building network	\$3,000,000	\$7,500,000
Total	\$38million	\$87.5million

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Appendix A: Main Models of Community Energy

Models of community energy vary on a number of factors, including but not limited to technology, scale, legal and ownership structure. However, there are four main types of community energy projects in Australia:

1. Donation models



These models of community energy involve a community raising funds through donations (either using a crowd funding platform or more traditional fundraising) to install renewable energy systems or undertake energy efficiency measures. Typically, the host site and beneficiary of this model is a community organisation such as a school, surf-lifesaving club, fire station etc. Examples of groups who are using this class of model include Bendigo Sustainability Group, Totally Renewable Yackandandah, CORENA and the People's Solar.

2. Investment models



These models are where community organisations develop a sustainable energy project and raise funds through opening up the project to community investors, on the expectation that these investors will receive a certain return on their investment. The legal structures for these models include cooperatives (Hepburn Wind), trust-based models (ClearSky Solar Investments), and share-based models (e.g. Enova - Australia's first community-owned retailer).

3. Partnership models



These models involve communities partnering with commercial renewable energy developers, water utilities and/or technology providers to deliver clean energy projects that are part community owned/financed and part commercially owned/financed. These models are prevalent in the US and Europe, but are new in Australia. Indeed the Danish Government requires onshore wind developers to open up part of all projects to community ownership. CWP's Sapphire wind farm in the New England is one example of this, so to the micro-grid projects in Yackandandah.

4. Multi-household models of community energy



These models are about aggregating households to deliver sustainable energy solutions. Examples of such models include solar bulk-buys, the Moreland Energy Foundation rates-backed solar model for low income households (Darebin Solar Savers), Mount Alexander Sustainable Homes, Bendigo Sustainability Group and more.