



Inquiry Summary

Tackling Climate Change in Victorian Communities

Introduction

The purpose of this summary is to highlight findings and recommendations within the Inquiry into Tackling Climate Change in Victorian Communities that have relevance to the community energy sector. The first section discusses the community energy chapter and the latter section contains a list of relevant recommendations.

You can download and read the full report on the Parliamentary [website here](#).

Overview

Drawing heavily on the recommendations and challenges put forward by various community members, stakeholders and councils the report uses a qualitative approach, noting themes that came across in submissions and occasionally their frequency. The report is a very positive signal to the preparedness of government to investigate various needs and opportunities relevant to the community energy sector.

Community Energy

Having delivered the Inquiry into Community Energy Projects in 2017, this report avoids duplication and looks to the issues and circumstances that have changed. They note the pace of residential, business and public solar projects as a significant shift, alongside new innovative energy systems and technologies.

Micro-grids

The report looks at issues of integrating renewables into the existing electricity grid. They note the value of microgrids as providing system benefits (Pg. 69) and the potential usefulness of 'islandable' microgrids for emergencies such as fire. They describe the need for regulators, distribution and transmission companies to co-operate to enable such projects. They recommend a pilot microgrid that can be operated while disconnected in the case of an emergency.

"That the Victorian Government work with regulators, electricity distributors and other stakeholders to establish a pilot microgrid in a bushfire-prone area of Victoria that is capable of operating while disconnected from the main electricity grid during an emergency." (Pg. 7)



Batteries

The report looks at issues of 'ring-fencing' rules in the National Electricity Market (NEM) and how this can have perverse outcomes for developing batteries. They recommend the Victorian Government advocate for reform. They suggest batteries could potentially buffer some of the issues faced on transmission/distribution lines, such as locating batteries at the end of transmission lines to create a supply buffer. They suggest that community batteries could navigate some of these difficulties.

Local energy trading

The report describes the tensions between enabling regulatory reform for local energy trading options and potential consumer price impacts.

Mid-Scale projects

The report mentions how various mid-scale community projects are not yet seeking planning permits and are still at the business case/investment stage, acknowledging the financial barriers faced to progress such projects.

Power Purchase Agreements

They look at different PPAs and the security they offer mid-scale generators. They also make the following recommendation:

"Recommendation 15: That the Department of Environment, Land, Water and Planning provide assistance to organisations to enter into power purchase agreements, including facilitating the aggregation of organisations into renewable energy buyers' groups." (Pg. 85)

Community Power Hubs

They discuss the financial and environmental benefits of the Community Power Hubs. The report recommends gathering greater economic and social benefit data, likely to influence budget decisions and build the case within government (Pg. 90). They also recommend expanding the Community Power Hubs, particularly admin support. They also note the level of sophistication needed to deliver behind the meter projects, backing up the case for a further roll out of the Community Power Hubs¹.

Transmission and distribution

The report highlights issues in the transmission and distribution space and how this can disproportionately impact community energy. Issues include incorrect estimations of connection costs, as well as the viability of development in certain spaces and a lack of

¹ Noting that The CPHs are mentioned in Budget Paper No. 3 - Service Delivery. <https://www.dtf.vic.gov.au/2020-21-state-budget/2020-21-service-delivery>. With \$38m over 4 years allocated.



transparency between companies and community projects. They note issues of curtailments and discuss how batteries could act as virtual transmission capacity (Pg. 106). They also reinforce the value of the Australian Energy Market Operators, *Integrated System Plan*.

Community Energy Target

The report recommends the introduction of a Community Energy Target, noting many submissions called for this. They suggest that there are several variabilities between what the target amount could be that will depend on the criteria used i.e. developer-community partnerships which could be far larger than mostly community coordinated projects. They note how none of the VRET projects do involve co-investment measures (pg 115). This was a key message in the Hepburn Wind submission to the Inquiry, that weighted criteria alone would be insufficient to facilitate a pipeline of community projects.

Ongoing revenue and investment certainty

This section of the report discusses issues faced by community projects in terms of finance and revenue, listing curtailment, unfavorable market conditions, policy uncertainty, LGC fluctuations and more. They note difficulties in securing hedging for small projects, issues in not holding a portfolio of projects and respectively higher costs of development. They specifically discuss Hepburn Wind and the impact these factors have had on their operations. They recommend research to understand the best financial model to support mid-scale community projects and discuss the potential benefits and challenges of a Feed-in-Tariff for mid-scale community energy projects.

Community Feed-in-Tariff

In this section they discuss in depth the proposal from the Coalition for Community Energy for a Feed-in-Tariff for 6-7cents above wholesale electricity market price, guaranteed for 15 years. The report discusses recommendations around eligibility, and how it could be used to enhance collaboration, transparency and diversify the range of technologies developed.

They also note the support amongst community energy stakeholders for this proposal. They list the following potential eligibility criteria:

“The Coalition for Community Energy recommended the following eligibility criteria:

- the project is community-led or the result of a community-developer partnership with broad local support*
- a minimum of 20% community ownership and minimum 50% local ownership*
- a project size of 1–10 MW*
- project has other strong benefit sharing arrangements including the use of local skills and businesses.” (Pg. 230)*

The report also states that *“The Committee is mindful that a feed-in tariff would very likely be passed onto consumers in full by electricity retailers.” (Pg. 117)*. They note that the impact would be mediated by things like eligibility and the size of the Community Energy Target.



The report recommends that the Victorian Government commission modeling to understand the impact of a Feed-in-Tariff and assess this against other options that may improve revenue certainty, putting forward local energy trading, facilitating development of community electricity retailers and certain PPA models.

Community Energy Fund

This section of the report proposes a community energy fund, that could be a vehicle for investors to buy into community energy projects.

Finance to reduce the risk of innovative projects

This section notes the high costs in getting through project planning, feasibility and pre-feasibility studies. The findings suggest a combination of up-front assistance to help project development and longer term measures to ensure revenue. They also discuss the need for flexibility and a range of different kinds of support for different projects and potentially delivered through the Community Power Hubs.

Key recommendations

1. Community Energy Target

“RECOMMENDATION 24: That the Victorian Government establish a dedicated Community Energy Target component within the Victorian Renewable Energy Target.” (Pg. 115)

“RECOMMENDATION 26: That the Victorian Government develop formal mechanisms to support the development of mid-scale community energy projects—with a capacity of between 1 MW and 10 MW—in Victoria.” (Pg. 120)

“RECOMMENDATION 25: That the Department of Environment, Land, Water and Planning commission research to understand the impact of a community energy feed-in tariff on household retail electricity prices and model this against other policy options for long-term revenue support for community energy projects.” (Pg. 118)

“RECOMMENDATION 18: That the Department of Environment, Land, Water and Planning commission and then publish further modelling of the economic and social benefits of local investment in renewable energy projects in Victoria’s regions.” (Pg. 90)

2. Smart Energy Communities Program

Community Power Hub Pilot

“RECOMMENDATION 19: That the Victorian Government extend and expand the Community Power Hub pilot program in support of the Victorian Renewable Energy Target.” (Pg. 92)



Community transition plans and pilot's

"RECOMMENDATION 1: That the Victorian Government collaborate with communities and other partners to produce local emissions inventories for all regions in Victoria." (Pg. 21)

"RECOMMENDATION 28: That the Department of Environment, Land, Water and Planning work with stakeholders to develop and regularly publish data on available capacity, estimated connection costs and projected demand for connections for mid-scale renewable energy project connections in the Victorian electricity distribution network, to provide greater guidance and investment certainty for these projects." (Pg. 124)

"RECOMMENDATION 71: That the Victorian Government commit at least \$20 million to fund the development and implementation of community transition plans in at least 20 communities across the State." (Pg. 278)

3. Solar Gardens and Rebates

Solar gardens

"RECOMMENDATION 27: That the Victorian Government develop one or more pilot social access solar gardens in Victoria." (Pg. 121)

Solar for all rebate (renters)

"RECOMMENDATION 28: That the Department of Environment, Land, Water and Planning work with stakeholders to develop and regularly publish data on available capacity, estimated connection costs and projected demand for connections for mid-scale renewable energy project connections in the Victorian electricity distribution network, to provide greater guidance and investment certainty for these projects." (Pg. 124)

4. Zero-Net Emissions Programs

Transport

"RECOMMENDATION 50: That the Victorian Government provide funding to the development of a regional fast-charging network as set out in the Charging the Regions Outcomes Report." (Pg. 187)

"RECOMMENDATION 54: That the Victorian Government commence a phased replacement of the public bus fleet with electric buses, utilising learnings from its electric bus trial." (Pg. 199)

"RECOMMENDATION 55: That the Victorian Government use electric buses to pilot innovative and flexible modes, such as demand-responsive transport, for the expansion of public transport services to areas with less access." (Pg. 199)

Waste and water



“RECOMMENDATION 58: That the Victorian Government work urgently with food rescue and relief organisations to identify priority areas for assistance to increase the amount of food diverted from waste and meet higher demand, including through the identification of opportunities to rescue food at all points in the supply chain.” (Pg. 206)

Land use/land change

“RECOMMENDATION 62: That the Victorian Government:

- 1. introduce measures to ensure that public investment in land conservation and biodiversity within agricultural land, including through Landcare, allows for a degree of carefully planned agroforestry*
- 2. ensure that any codes of practice for forestry on farms are outcome-oriented rather than prescriptive and recognise the right of farmers to harvest their agroforestry crops, while also allowing for innovation in harvesting practices*
- 3. invest in a state-wide landholder and community education extension program on the benefits of agroforestry, including support for farmer networks, industry engagement, the Master TreeGrower Program and Peer Group Mentoring*
- 4. support agroforestry harvesting, milling and drying trials with industry, including brokers, harvesting contractors, transport companies, timber processors, builders and furniture makers, to boost the take-up of agroforestry practices and the marketing of its products.” (Pg. 227)*

“RECOMMENDATION 64: That the Victorian Government investigate opportunities for the integration of underutilised Crown land into biolink projects with revegetation and protection activities to be led by local Landcare and other community groups.” (Pg. 246)

Agriculture

“RECOMMENDATION 59: That the Department of Environment, Land, Water and Planning work with Agriculture Victoria, Greenhouse Alliances, Catchment Management Authorities, the Bureau of Meteorology, CSIRO, farmers and other stakeholders to produce regional projections of climate impacts on agriculture. These projections should be made available through online tools, and support should be provided to farmers to ensure they can integrate them into their businesses. This work should seek to expand on the approach taken by projects such as the North East Catchment Management Authority’s Embedding Climate Adaptation in Agriculture.” (Pg. 211)

“RECOMMENDATION 60: That the Victorian Government increase extension support to Victorian farmers to better enable them to adapt to and mitigate climate change. This should include increased funding for existing extension activities by organisations such as Catchment Management Authorities and Landcare, the upskilling of agronomists and other advisors in the private sector and the employment of more extension officers by Agriculture Victoria and/or the Department of Environment, Land, Water and Planning.” (Pg. 216)

Transmission and distribution



“RECOMMENDATION 11: That the Victorian Government work with regulators, electricity distributors and other stakeholders to establish a pilot microgrid in a bushfire-prone area of Victoria that is capable of operating while disconnected from the main electricity grid during an emergency.” (Pg. 72)

“RECOMMENDATION 20: That the Victorian Government advocate for electricity system and market reforms that enable the development of community energy projects and facilitate the installation of rooftop solar by households and businesses.” (Pg. 105)

“RECOMMENDATION 68: That the Victorian Government establish a program to install renewable off-grid generation and storage systems at emergency facilities to ensure continued operations during an emergency.” (Pg. 265)

Battery

“RECOMMENDATION 13: That the Department of Environment, Land, Water and Planning collaborate with the Essential Services Commission and community energy groups to develop reform proposals that would better enable the development of community-owned batteries and local energy trading.” (Pg. 74)

Evaluation

“RECOMMENDATION 69: That the Department of Environment, Land, Water and Planning review the New Energy Jobs Fund, particularly the benefits and outcomes delivered by its rounds of grant funding to date, with a view to providing further rounds of grant funding in the future.” (Pg. 269)

Community

“RECOMMENDATION 6: That Sustainability Victoria work with local government and community organisations to develop an integrated strategy for behaviour change programs on emissions reduction and climate change adaptation.” (Pg. 52)

“RECOMMENDATION 35: That the Victorian Government significantly increase the scale of programs to upgrade the energy efficiency of the homes of low income Victorians.” (Pg. 145)

5. Other recommendations

“RECOMMENDATION 15: That the Department of Environment, Land, Water and Planning provide assistance to organisations to enter into power purchase agreements, including facilitating the aggregation of organisations into renewable energy buyers’ groups.” (Pg. 86)

“RECOMMENDATION 32: That the Victorian Government provide Victorian Residential Efficiency Scorecard assessments for any home receiving assistance through the Victorian Solar Homes program.” (Pg. 138)



“RECOMMENDATION 33: That the Victorian Government phase in a subsidy available to all homeowners who undertake Victorian Residential Efficiency Scorecard assessments.” (Pg. 138)

“RECOMMENDATION 57: That the Victorian Government establish a small grants program for neighbourhood houses and community groups to establish, maintain or improve community gardens.” (Pg. 205)

“RECOMMENDATION 72: That the Victorian Government fund staff across Victoria to support community climate change action groups.” (Pg. 282)

Reference List

Parliament of Victoria, Inquiry into tackling climate change in Victorian communities final report, November 2020, <https://www.parliament.vic.gov.au/epc-la/inquiries/article/4200>.