



About Us

Energy for the People is an innovative energy service company and certified social enterprise, helping customers understand, analyse and implement integrated clean energy solutions.

We have advised on, and helped our customers implement over \$15m worth of investment in energy infrastructure, including solar power, LED lighting, embedded networks, boiler upgrades and battery storage.

Our submission highlights a number of points for consideration. We welcome further discussion on any of the points contained herein.

Contact for questions and further discussion

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Executive Summary

We believe the energy market is in a fundamental transition, and that the energy market will increasingly be defined in terms of two distinct infrastructure and commercial supply models:

- Decentralised, renewable energy micro-grids, serving regional/remote consumers and new housing precincts
- Centralised, renewable energy grids, serving city/suburban consumers and industrial centres

Historically, the energy market was built to serve all customers, regardless of location, equitably, with the lower cost-to-serve customers subsidising the higher cost-to-serve customers.

A well managed market transition, which starts to decouple urban and regional customers (physically and commercially) will make energy costs lower for all in the long-run, by reducing the reliance on the expensive transmission and distribution infrastructure required to serve regional and remote customers.

Therefore, it is extremely important that the design of the auction scheme is fully cognisant of this transition, and does not preference one infrastructure and commercial supply model, over another. Doing so would hinder an efficient transition of the energy market, and may lead to higher costs for customers in the long-run, including exacerbating the risks, and costs, of inefficient sunk investment.

We strongly encourage the State to design a differentiated scheme, based less on technology, and more on these broader goals of managing an efficient transition of the energy market, and reducing energy costs to the consumer - including consideration of transmission and distribution costs - this also includes reducing the whole-of-government costs associated with the energy concessions, health and justice systems.

A differentiated scheme can simply incorporate “pay for success” elements, which shifts the onus, and risk, onto project proponents to deliver real and measurable social outcomes. Doing so would help to keep administration costs low, while providing the market with the flexibility to innovate and deliver outcomes.

The submission below provides further details, and consideration of these points, in response to each element of the scheme outlined in the discussion paper.

Submission on key consultation points

Scheme structure

Project pipeline

Ensuring a pipeline of projects requires scheme certainty, to deliver industry the confidence to develop projects in advance of auction rounds - this includes certainty beyond political cycles, where possible.

Notice, auction frequency and targets

Six months notice, in the first instance, should be sufficient time to enable project development.

We suggest an annual auction round, with a “ramp-up” and “ramp-down” phase. A ramp-up phase will enable participants to develop experience with the scheme, and build confidence.

Additional flexibility could be achieved, if each auction round included a minimum and maximum target for renewables (MW/MWh), adjusted on an annual basis - this would provide the government, and scheme participants flexibility to deliver projects faster or slower, in response to broader market factors, while ensuring certainty year-on-year.

Setting technology targets

We believe setting technology targets should only be included where there are broader government objects to be met, which are not delivered by policy mechanisms outside of this scheme.

For example, should government wish to encourage early stage commercialisation of new technologies, which may not yet be financially viable, targets could be set - for example, for battery storage, or Building Integrated Photovoltaics.

If the scheme were designed to solely deliver low cost renewable energy, then technology targets are likely to be inappropriate. We believe high quality solar projects are delivering comparable c/kWh to high quality wind projects now, and so there is no need to run a differentiated scheme. A differentiated scheme is only appropriate when trying to support a diverse mix of technologies through the commercialisation phase - standard wind and solar installations are already beyond this stage.

Other considerations

In setting targets and technology splits, we encourage the state to consider:

- The broader social goals which can be delivered via renewable energy projects; and
- The real impact of load-defection on energy market cost structures - i.e the impact of rooftop solar and battery storage on network costs and revenue, and the broader energy market transition.

For example, solar projects deployed in social and affordable housing are likely to reduce whole of government costs, by reducing the level of energy concession payments made to energy consumers. Furthermore, when combined with social impact investment, these



projects can create a funding stream for wrap-around services, which reduce recidivism and the impact on long-term unemployment - again, this reduces whole of Government costs associated with managing the justice and health system.

Further, deploying centralised, or decentralised renewables into a market without a clear transition plan for energy network infrastructure, poses a risk to investors in energy infrastructure, and customers of the energy market.

In delivering low cost renewable energy, the state must consider all costs associated with delivering energy to consumers - a centralised solar or wind farm may have lower c/kWh production costs than a rooftop solar system. However, that centralised system requires significant infrastructure to transport and deliver energy to customers. A decentralised micro-grid, combining solar and storage to reduce network infrastructure costs, may have a higher c/kWh production cost for renewable energy than a centralised system, but more benefits to the market, and customers.

We encourage the government to carefully consider how the energy market is changing more broadly, beyond technical integration of renewables into the grid, and how the scheme can be designed to encourage energy projects which combine renewable energy with complementary measures, such as battery storage, or load management, to deliver direct outcomes for consumers.

Pay-for-Success

To address the considerations raised above, the state could consider introducing a “pay for success” model to the scheme.

Pay-for-success could be achieved through the allocation of a proportion of auction targets under the scheme, to projects which deliver social or community benefits. In addition to a renewable energy contract for such projects, a pay-for-success social contract would be specified, with additional incentive payments made to projects which are able to demonstrate a tangible reduction in whole-of-government costs (reduction in concession budget, health or justice department costs).

LGC's

One option for the treatment of LGC's is to disqualify them from projects executed under the scheme, and simply rely on payment incentives under the auction scheme to ensure project viability - this would eliminate the uncertainty created by Federal Government policy changes, and ensure all projects executed under the Victorian scheme are additional to the Federal scheme.

Proposed payment structure

We believe the “contract for difference” payment structure proposed is likely to be the most efficient and effective mechanism for payments to large-scale renewable energy projects.

However, large scale rooftop solar projects, delivered via aggregation of a large number of rooftop customers, are unlikely to be exposed to NEM prices in any way. For these projects, a fixed c/kWh rate may be more appropriate, with the project proponent specifying the c/kWh rate required, and being paid in retrospectively on a quarterly basis, based on measured tangible outputs during that time.



Scheme administration and cost recovery

We note here that any scheme which recovers costs through energy bills will have a disproportionate impact on those customers who can least afford energy. If trade exposed and energy intensive industries are exempt from the scheme, then it would be appropriate to also exempt customers who are energy concession card holders.

Auction evaluation

Criteria outlined by the state are heavily geared towards large-scale renewable energy projects. We believe that lower cost renewable energy, including projects which have broader social benefits, and so ultimately help lower energy consumer's bills, are likely to come from rooftop solar and/or community-scale micro-grid projects. Therefore, any auction evaluation criteria needs to accommodate these projects, and include assessment measures for social benefit and impact on consumer's bills.

For scheme simplicity, the scheme could classify projects as "large-scale" (supplying wholesale markets) or "small-scale" (rooftop, or embedded in community microgrids), with proportional targets for each classification. Criteria assessing social benefit and impact on consumers costs could be applied to small-scale projects, only.