



Victorian Renewable Energy Auction Scheme

Response from Australian Wind Alliance to DELWP Consultation Paper

31st August 2016

About AWA

The Australian Wind Alliance is a community advocacy group for wind energy. We have around 650 members across the country, with the majority in Victoria, who are a mix of farmers, wind workers, local businesses and community members. We advocate for greater uptake of wind energy to deliver economic benefits to regional Australia and clean up Australia's energy supply. We represent a community voice of support for wind which is distinct from that of industry.

As such, we will focus our responses to the Stakeholder Questions that more directly concern the issues of how the scheme will drive wind energy growth across the state and how it will impact on communities and regional economic opportunity.

Introduction

Relationship to federal Renewable Energy Target

We applaud the Victorian government for committing to this scheme and to the medium term target of 40% renewable energy by 2025.

Victoria's ability to fully capitalise on the international boom in renewable energy investment has been significantly hampered in recent years by political vacillations around climate and renewables policy, especially the federal Renewable Energy Target (RET). Market uncertainty persists in the RET market because of a lack of a long term trajectory for the scheme beyond 2020. A firm renewable energy target and a robust auction mechanism to achieve it will ensure that Victoria stands out as an attractive clean energy investment destination in Australia.

Criticisms of state-based schemes such as this one tend to imagine a perfect, market-based solution and, working backwards from there, see a collection of individual state-based schemes as suboptimal. This perspective misses the glaring reality that successive federal

governments have been unable to deliver a politically durable market-based solution to economy-wide energy transition and appear unlikely to do so in the near future. Across the electorate, renewable energy enjoys strong majority support and it is important for people's faith in government that this support is reflected in strong policy to build renewable energy at whatever level is able to deliver.

In addition, the Australian Capital Territory auction process demonstrated that project de-risking through the issuance of long term, government-backed power purchase agreements was a factor in delivering record low prices for wind energy and therefore lower costs for consumers.

We support this scheme as a means to deliver a degree of certainty to the national renewable energy market and to attract valuable investment to the state.

We agree that this scheme should operate as an adjunct to the federal RET, both to control costs and to allow the scheme to continue to operate alongside the changes that will inevitably be made to the federal scheme.

Shift to decentralised energy

With an estimated 5400 megawatts of new renewable energy capacity - around 600 megawatts per year for nine years - the scale of this scheme is significant and presents a range of both opportunities and risks.

The shift from fossil fuel- to renewable-based power will drive a shift from a centralised generation centre around Gippsland's coal fields towards a decentralised spread of windy and sunny regions across the state. This is a welcome development that will dramatically lower the emissions intensity of Victoria's energy supply and reduce air pollution. This promises once-in-a-lifetime opportunities for regional Victoria to set up long term energy generation jobs and economic development. Many of these regions have suffered in the past from an overreliance on the vicissitudes of weather and agricultural markets. Becoming part of the energy industry brings valuable economic diversity to these areas.

But the flip-side of this is that many of these regions will see energy infrastructure on their horizons for the first time. It is imperative that this scheme promotes best practice community engagement and meaningful benefit sharing to ensure that public support is maintained and that communities can participate as genuine and empowered partners.

Responses to Consultation questions

Scheme Structure

- We support the scheme being ‘additional’ to the RET after 2020. If, however, the RET is expanded after this date it would be appropriate for the Victorian scheme to revert to allowing LGC’s to be traded within the RET market.
- As there is now a significant risk that the 33,000 gigawatt hour RET target will not be delivered by 2020, the Victorian scheme should be flexible enough to allow trading of LGC’s until the 33,000 GWh target is reached.
- To ensure as wide a diversity of generation sources and geographic location as possible, reserving a portion of the auction for large-scale solar is advisable. Similarly, removing wind farm no-go zones from the state’s planning regulations would allow access to all the state’s high wind resource areas.

Auction Evaluation Principles

To gain acceptance in host communities, renewable energy projects need to engage openly and effectively with the community and ‘pay their way’. A scheme of this scale has the potential to permanently raise the bar in terms of what communities can expect of developers and the renewable energy industry in terms of engagement, jobs and economic returns.

We support strong weightings in the evaluation criteria for projects that deliver enduring economic returns to regional Victoria, engage effectively with the community and share benefits widely.

Economic development

- The stop-start nature of wind farm development has seen regional businesses invest significantly in plant, equipment and staffing to supply to large projects, only to see that investment lie dormant while they wait for follow up projects to eventuate. A dependable years-long pipeline of projects will be one of the main benefits of this scheme for Victoria.
- The scheme could maximise the economic boost to regional economies by strongly weighting projects that:
 - Purchase locally manufactured large equipment, such as towers and transformers
 - Actively encourage participation of regional contracting and associated businesses
 - Propose additional value adding such as siting of headquarters in Victoria, or partnering/funding higher education programs with regional TAFEs and Universities.

- Around 42% of the value chain of wind farm development is in the turbine and blade components¹. Until Australia is back in a position where we are manufacturing these major components ourselves, our local capture of wind farm spend will be lower than it should be.

In the previous decade, Victoria briefly hosted a wind turbine blade manufacture facility. There was also briefly a turbine assembly plant in Tasmania. With the right settings in place under this scheme, the government should be on the look-out for opportunities to recommence such operations in Victoria.

Community Engagement

- A critical part of community acceptance of renewable energy projects lies in the extent to which that community trusts that a proponent is listening to their concerns and is available to respond to them. In our experience, the companies that properly resource their community engagement activities reap the benefits of a supportive community.

Auction participants should be able to demonstrate a proven track record of effective community engagement throughout the development phase, adequate resourcing of engagement processes and have staff on the ground to liaise effectively with the community through the remaining stages of the project.

Benefit Sharing

- AWA sees equitable benefit sharing as an extension of effective community engagement. Benefit sharing takes many forms.
- Most wind farms currently offer lease payments to host landholders, community enhancement funds for local projects and groups and sometimes neighbour benefit agreements to wind farm neighbours.
- We would like to see this scheme promote the concept of benefit sharing further and cement the idea of direct community ownership and/or investment in large-scale renewable energy projects.
- We commend the example of [Coonooer Bridge Wind Farm](#) which offered limited community share ownership of an otherwise commercial project. As well as an open community engagement, this model of benefit sharing ensured widespread community support.
- Another example of a community/developer partnership is being developed at [Sapphire Wind Farm](#) in Northern NSW as a result of its contract with the ACT government. Such a partnership could involve offering a fixed return stake in the project for a set period.

Community-owned renewables

¹ WIND FARM INVESTMENT, EMPLOYMENT AND CARBON ABATEMENT IN AUSTRALIA, Clean Energy Council, June 2012, p19

- The Victorian government has already demonstrated its support for proactive communities that seek to develop their own community-owned renewable energy projects.
- Further to the community/developer partnership models mentioned above, consideration should be given to allocating a portion of the overall target to solely community-owned projects. This would help harness the energy of the state's renewable energy's strongest advocates to explain and promote renewable energy in their own communities.
- [Hepburn Wind](#) is a leader in Australia in this regard and could be used as a model.
- This portion of the scheme should be available to smaller project sizes to suit communities' capacity.

Contribution towards Victoria's target

- A project's capacity factor will be reflected in the project's auction price bid. If a project has a low capacity factor it is unlikely to be able to offer a competitive bid. As such, capacity factor on its own is not a relevant consideration.

Electricity Transmission Network Interactions

- While a focus on optimal usage of existing grid infrastructure is wise, the scheme should be open to the opportunities of expanding transmission network capacity. The Scheme may be able to play a role in identifying synergies from a 'pool' of geographically proximate projects that could collectively benefit from transmission upgrades, such as the [Renewable Energy Hub concept](#) being investigated by Transgrid in Northern NSW.

Other

- We would suggest that the scheme allow applications from small projects. In the wind space, projects with as few as three turbines may be economic, suit local transmission opportunities and be the desired scale for local communities. The [Chepstowe Wind Farm](#) is a good example.

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