



*Friday 2nd December 2016*

## Community Renewable Energy Projects PiLoR and planning issues discussion paper

AWA submission to the Department of Environment, Land, Water and Planning.

### 1. Introduction

#### **Key points**

- **Most community wind energy projects will be delivered as some sort of community-developer partnership.**
- **'True' community wind energy projects offer unique benefits and deliver deep community support for wind energy.**
- **Projects incorporating community control should be specifically targeted for support within the Renewable Energy Auction process.**
- **Community scale wind energy projects may be able to deliver local community benefits without being community owned.**
- **The PiLoR mechanism is working well but the flagfall charge should be removed for community scale projects.**

The Australian Wind Alliance (AWA) welcomes the opportunity to contribute to the discussion around the important topics identified in DEWLP's Community Renewable Energy Projects PiLoR and planning issues discussion paper.

Given our organisation's focus on wind energy, our submission will restrict itself to community wind projects and community/developer partnerships.

AWA strongly supports the expansion of community wind energy throughout Victoria.

It should also be noted that issues identified in this paper also impact on smaller scale commercial wind energy projects. The Government should keep in mind the possibility that arrangements for community projects could be reformed in ways that also promote smaller scale wind energy projects.

In addition to reforms suggested in this submission, we further recommend that a target of 5-10% of Victoria's renewable supply by 2025 be delivered from community energy projects.

## 2. How to define Community Renewable Energy Projects

Should community-owned renewable energy projects be defined differently to other types of energy generation projects?

What are the risks and benefits of defining community renewable energy projects?

Community wind energy projects bring special benefits to local communities, and require specific support. They have the potential to enrich local economies, create local jobs, and better match energy production with local needs. They facilitate deep engagement and empowerment of communities and stimulate fuller support for wind energy in a way that more traditional projects cannot. From our experience working with local communities around wind projects, we believe strongly that greater community empowerment is the key to bedding down support for wind energy in the state.

Defining what constitutes a community energy project allows these benefits and requirements to be properly identified.

Defining aspects of a community energy project:

1. Project is led by the community
2. Community control and decision-making power
3. Majority community ownership
4. Community scale project size from > 100kW to 30MW
5. Local distribution of the social and economic benefits generated through the project

Hepburn Wind could be considered a 'true' community energy project in that it combined every one of these aspects, with 100% community ownership. However, as the discussion paper outlines, wind energy projects present significant capital and technical challenges that are beyond the capacity of most communities to manage. It is therefore likely that second and subsequent community wind energy projects in Victoria after Hepburn Wind will be in some form of community-developer partnership, where some but probably not all of these aspects are present.

Local community considerations and negotiations between community and developer will determine the type of model used for such a partnership and maximum flexibility in this regard should be allowed for in any government regulations.

Within this arrangement, a community-developer partnership could deliver a project with all five aspects, through to a project that only delivers on the last two - community 'scale' and strong local sharing of economic benefits. While the latter project would be beneficial for any community, the scale and benefit sharing mechanisms may well be chosen for purely commercial reasons. If little community involvement in the way of ownership and decision making control is evident this project would be best viewed as a commercial project which requires no specific government support beyond a recognition of the effectiveness of its community engagement.

Examples of community-developer partnerships are those proposed by Infigen for Flyers Creek wind farm which would work in partnership with the local community co-operative, CENREC, or CWP's Sapphire Wind Farm which will open up for community investment later 2017. In both cases it is proposed that the community investment could be around the equivalent of one turbine within a larger development.

In regards to sophisticated neighbourhood benefit sharing there has been good work undertaken in Victoria by wind developer, Windlab, at their Coonooer Bridge and Kiata Wind Farms. The community engagement of these projects is amongst the best we have seen in the wind industry. They have been successful in achieving deep and widespread community support and sharing project benefits widely throughout the community. We would recommend that community focused projects such as these be marked up in deliberations as part of Victoria's Renewable Energy Auction Scheme.

Some of the key elements of Windlab's approach have been:

- An open initial consultation with the community, conducted through a public meeting that focussed on how financial benefits might be shared in the community.
- Decision making by the project company was made transparent by giving the local community a Board Observer position on the company's board, building trust between the developer and the community. Note, however, that decision making control was retained by the developer.
- All host and neighbouring landholders within 3 km of the wind farm were offered shares. All of these shares were accepted. Landholders were able to purchase additional shares if they chose.
- Around 4% of the project's equity is community-owned
- Decisions around allocation of community grants and allocation of shares under the community share scheme are made by a community committee.

While these projects clearly deliver for the community, they are strictly commercial projects where the developer retains full project control and almost all ownership. The good work done by Windlab by these models could be improved in the future by making a public investment offer for the wind farms, rather than just a neighbourhood offer. This would make it a genuine community-developer partnership.

As these examples show, for the developer, engaging the community as a partner improves project bankability by lowering risk of community disruption. However, a project where decision making control is held, even partly, by the community is likely to be seen by developers as having higher risk and therefore will be less likely to proceed. The Victorian Government should therefore be open to providing specific support in the form of targeted feed-in tariffs to ensure that community wind energy projects proceed.

A project can be said to be 'community scale' if it consists of a small number of turbines, which we suggest might be up to ten. Visually and logistically, a project of this size can feel more in keeping with the scale of a regional town. The government should be alert to the idea that smaller projects, while potentially lacking the economies of scale of larger projects, may be more acceptable to local communities. Of course, larger projects will continue to be needed to deliver large supplies of clean power at a low price. However, while small project may not be community projects as defined above, in more populated parts of the state it may be of value for the government to favour 'community scale' projects.

### 3. Payment in lieu of rates (PiLoR) methodology

Should the payment-in-lieu-of-rates (PiLoR) methodology be updated?

From our experience in different state jurisdictions we endorse the PiLoR scheme employed in Victoria. It's main benefit is that it simplifies the relationship between councils and developers. A clear quantum around which both parties can negotiate reassures councils that they will not be left out of the increase in rateable value of land from wind energy projects. This allows the local community to run the community enhancement fund, free of council involvement. While we suggest improvements, we endorse the continuing operation of the scheme.

The \$40,000 flagfall for energy generation infrastructure required under the PiLoR mechanism is prohibitive for any community-scale wind project, whether

community-owned or not, and does not reflect the capacity of a wind farm to cover PILOR costs through generation. We recommend this flagfall be removed for renewable energy projects of all technologies below 30 megawatts in capacity. There would then be no need for second or alternative PiLoR methodologies.

Should the government help with grid connection issues?

Small community projects face a David and Goliath struggle to negotiate grid connection contracts with well-resourced distribution companies. Government could assist community projects in this regard by either covering the costs of legal and technical representation for the grid connection negotiation or by setting a maximum grid connection fee for community projects.

## 4. Community wind farms and the planning system

Should the current planning arrangements for wind farms, including the current prohibitions, change?

In light of Victoria's ambitious plans for new renewable energy projects to 2025, it is imperative that as many of the windiest and sunniest parts of the state as possible are available for renewable energy development.

'No-go zones' for wind farms in the Yarra Valley, Dandenong Ranges, Bellarine and Mornington peninsulas, McHarg Ranges and the Macedon Ranges and 5km setbacks from regional towns instituted by the previous government's VC82 planning instrument continue to block viable new wind farm projects across the state, including community-level projects. Indeed, many of these areas coincide with some of the state's best wind resources. We maintain that the no-go zones never made sense and were never based on any demonstrated community opposition to wind in those areas. We concur with then Shadow Minister for Planning, Brian Tee's comments in a media release of 9th September, 2011, in which he stated:

"These laws are a disaster for the industry in Victoria ... [they] have created a dense maze of wind farm "buffers" and "bans" that have shut down Victoria for future wind farm projects."

These no-go zones should be removed for all wind farms, not just community-scale projects.

### About AWA

The Australian Wind Alliance is a community advocacy group for wind energy. We have around 700 members across the country, with a large number in NSW, 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.

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