

16 April 2015

National GreenPower Accreditation Program
NSW Trade and Investment
Level 11 323 Castlereagh Street, Sydney, NSW 2000
CC: greenpower.admin@trade.nsw.gov.au

Re: GreenPower Public Consultation Submission

Hepburn Wind welcomes the opportunity to provide a submission to the GreenPower Program Review Public Consultation.

Overview

Hepburn Wind is an approved GreenPower generator and a community co-operative that has built Australia's first community-owned wind farm. Almost 2000 people, most of whom are local, pooled \$10m to build a two turbine, 4.1 MW wind farm at Leonards Hill in Central Victoria. On average, the wind farm produces more energy than the houses in nearby Daylesford and much of the surrounding area.

At the project's core is the shared desire to take constructive action against climate change and in the process directly benefit the community. The project has demonstrated that, under the right conditions, communities will overwhelmingly support renewable energy and the benefits can be spread widely throughout a community.

Hepburn Wind has a strong brand and reputation amongst the local community in the Hepburn/Daylesford region as well across Victoria and Australia. It is known as a first mover in the community space, a community enabler with strong ethics around involvement and consultation, and is considered a trusted voice that speaks on behalf of a committed community.

Hepburn Wind has catalysed an emerging sector and also developed solid relationships across the energy sector, with community NGOs and politicians. There are many indications that Australians want to see this community enterprise, and the broader community energy movement, succeed.

Given the impact on the energy market of the Renewable Energy Target Review, community energy (CE) projects such as Hepburn Wind should have viable pathways to develop accredited products to achieve sustainable new income streams. Likewise, GreenPower can capitalise on the promotional opportunities of communities passionate about renewable energy to meet its voluntary GreenPower uptake goals.

Community energy

A CE project is one that involves the community undertaking any of the following activities; initiating, developing, operating, owning and/or benefiting from the project.

The scope usually encompasses small utility scale projects (up to 20 MW), small scale projects (e.g. up to 1 MW) as well as distributed/aggregated CE projects. The community might also partner with an experienced developer to build a community-ownership opportunity into a much larger scale project.

Community projects are unique:

- a. provide proportionately large direct and indirect local benefits
- b. small, with some challenging diseconomies of scale to overcome
- c. offer a new model of engagement around renewable energy, benefitting the broader renewable energy sector.

Current barriers

Greenpower accreditation has been set up for large scale generators and attracts an annual program fee (for both generators and providers), annual auditing and transactional charges (for providers), as well as rigorous administration obligations.

In 2013 GreenPower began charging a volumetric fee with minimum total fee of \$5000. In 2015 any provider that sold less than 16,100 MWh of GreenPower in the 2014 calendar year were liable for the minimum fee of \$5,000. Providers above the \$5,000 threshold paid approximately 29.7c/MWh.

The current fee scale for GreenPower Provider accreditation would substantially price Hepburn Wind's LGCs well above the market at a minimum \$0.55+ per MWh inclusive of provider fees and auditing, but not transaction fees as our annual generation is likely to always sit below the threshold. This coupled with the current cost of generator fees (\$0.11 per MWh) is a substantial levy, far more than that paid by larger generators.

The current reporting and auditing obligations also are not scaled appropriately for CE generators in regards to scale and complexity needed. Many CE projects rely heavily on local community volunteers to manage the project. Reducing the compliance burden for such projects would be beneficial.

GreenPower recognises the localised, tangible and promotional benefits that community energy projects bring and rather than offering a competition as is raised in the review paper, if GreenPower accreditation is financially accessible and administratively reasonable, we foresee that many mutual benefits could be developed.

The 2015 public consultation document states:

“Many supporters of renewable energy are now expressing their support directly through tangible local actions such as installing solar panels, buying into community energy facilities or engaging in bulk purchases. For many consumers, these actions feel less abstract than buying GreenPower... This is an attractive prospect for many consumers.”

Formula for Community Energy projects

We understand that currently GreenPower is run by the NSW Government on a ‘full cost recovery’ basis and both generator and product provider fees go toward meeting the cost of the program. However, the current formula for GreenPower accreditation tilts the playing field strongly against small scale projects such as Hepburn Wind. The report references establishing either a fee waiver or discount fee as a way of encouraging community renewable energy.

Whilst Hepburn Wind is the first mover of this scale, across Australia many other CE projects are due to be built and potentially engage with the GreenPower program. It is important that GreenPower develops a method for the future that is inclusive of such community generators.

Hepburn Wind advocates for an equitable system based around size, such as the model that is used by the Clean Energy Regulator. The costs of running the registry are equitably shared by the users who pay a fee pro-rated to the number of certificates that go through it. It is also inclusive and affordable for one time participants - fee payments are not required until thresholds are reached.

Generator fees

Currently the full GreenPower approval process, including stakeholder consultation is a cost of \$1000. Ongoing annual fees are also set at a minimum of \$1000 for projects over 1MW. We advocate that the approval process could be simplified for CE projects that meet a certain criteria and offered at a reduced rate.

Furthermore, we suggest that the annual ongoing fees for a community generator, such as Hepburn Wind, be waived once they have proved eligibility.

Quarterly reports could be replaced by an annual report to reduce administrative burden on both parties. Hepburn Wind would be happy to provide input into the reporting requirements.

Provider fees

The volumetric fee structure with a \$5000 minimum contribution for any project over 1 MW is an insurmountable barrier for projects such as Hepburn Wind. Even with 50-75% concession that can be granted to new providers that first sell GreenPower to customers within the fourth quarter of the calendar year, the annual accreditation cost is still too great.

We recommend removing the annual fees for CE projects and utilising Option 5 from the GreenPower [Transition to Full Industry Funding Consultation Paper December 2012](#) as a suitable formula for CE providers.

Option 5 incorporates a volumetric fee charged to each GreenPower Provider based on their proportion of the aggregate GreenPower sales volume in the Program for a particular year (\$ per MWh).

- Results in a fair spread of fees across the customer base on a user pays basis.
- Fair spread of fees between providers with low and high sales levels.
- Easily explained to consumers.
- Simple to calculate.
- Does not disadvantage new market entrants with low sales.
- Incentive for GreenPower providers to increase sales to reduce the \$ per MWh fee.
- Eliminates the need for a concession for new market entrants.

With an indicative fee \$0.24 per MWh this is a viable pathway for inclusion of community energy projects in the GreenPower program. A threshold could also be incorporated into this model.

Quarterly reporting and annual auditing could be replaced by a simpler process that incorporates the community energy projects annual audited accounts with an annual GreenPower report to reduce the administrative and financial burden for both parties.

Request

The Greenpower accreditation path is currently not attractive to CE generators at this time due to the financial and administrative burden imposed. There is a need for GreenPower to remove the very real barriers for CE projects to become accredited GreenPower generators and providers.

We ask GreenPower to amend the fee formulas of both generator and provider accreditation to specifically respond to the needs of small, community-owned energy infrastructure and ensure that we don't pay proportionally more than larger projects. Given that many more CE projects will come online in the coming years we ask that a viable framework is prepared early so that suitable projects can plan for any new arrangements.

We request a review of the fee scales and ask that GreenPower offer a option so that the community energy sector may fully participate in the GreenPower program without disadvantage going forward.

Yours sincerely



Taryn Lane
Community Officer