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Submission on the Victorian Neighbourhood Battery Initiative

Introduction

Thank you for the opportunity to make a submission on the Victorian Neighbourhood Battery Initiative. Having reviewed the consultation document and key questions, we recommend the State Government carefully considers how this program will ensure community groups can effectively participate in the Victorian Neighbourhood Battery Initiative (VNBI).

***The Coalition for Community Energy (C4CE) represents a network of 105 community energy groups from around Australia.***

Community energy is growing in Australia and internationally and is contributing to energy sector reforms globally[[1]](#footnote-1). Responsive policies and programs, particularly by the New South Wales and Victorian State Governments have enabled communities to learn about community energy and form organisations and partnerships to plan projects that will benefit them. These programs have unlocked new projects and clean energy capacity across the country that is strengthening local economies and improving the social license of renewables. As the peak body for the community energy sector, we know that our sector can substantially scale up the benefits it delivers. To reach its full potential our sector needs better alignment of market signals with community benefits, and stronger participation within the traditional energy sector.

Key points

The state government has to date delivered significant programs enabling communities to participate in our future energy economy and grow the social license of new technologies. Most recently, the Community Power Hubs program is a promising signal of the State Government’s commitment to enable community leadership and capacity development in the renewables space.

State Government support for the community energy sector has the potential to bolster the efforts of Victorian communities working to reach zero-net emissions. These communities are forging ahead with their own strategies to decarbonise and develop renewables as part of a broader grassroots climate effort. Critical to reaching these targets is enabling the high penetration of distributed renewables, which will require distributed battery storage to optimise these assets and minimise costly grid upgrades. Communities can play a central role in the development and delivery of distributed battery storage, but the VNBI as proposed may do little to enable this leadership without deeper consideration of what constitutes a ‘neighbourhood’ or ‘community’ battery.

The VNBI consultation paper uses the term ‘neighbourhood’ battery whereas various other publications and projects, including those managed by Distribution Network Service Providers (DNSPs), call these projects ‘community batteries’[[2]](#footnote-2). Both terms imply such batteries are scaled to meet local needs. However, questions of ownership, control and benefit are yet to be fully examined and articulated. To date, most if not all ‘neighbourhood’ or ‘community’ batteries have been 100% owned and controlled by DNSPs. These types of batteries should be referred to as ‘distributor’ batteries to better reflect their ownership and governance. The term ‘community’ batteries should be used to refer to batteries that include members of a local community in the ownership and/or governance of the asset. This distinction also creates space for hybrid models where community members co-invest in a battery that is operated by a DNSP.

Within the consultation paper, some of the models described only highlight minor benefits, such as potentially lower bills. As noted by ANU researchers[[3]](#footnote-3), community members themselves may not see DNSPs and retailers as suitable proponents for community-scale projects. In our view, mislabelled distributor batteries may insufficiently engage local communities and thereby limit the potential effectiveness of the VBNI to contribute more directly to local economies, community resilience and the broader zero-net emissions movement.

While DNSPs, retailers or other energy businesses may be able to deliver mid-scale batteries that meet the needs of local energy consumers, it should not be assumed that they will do so. Moreover, commercial businesses must extract a sufficient margin to turn a profit and pay dividends to shareholders, diminishing any returns that may be available to the community. Social research also suggests limited trust from community members towards DNSPs and retailers. Furthermore, provision of community benefit (beyond the market and or network services they perform) are typically driven by Corporate Social Responsibility objectives and are often a minor consideration within the broader business. ***Should the VNBI program fail to create/apply meaningful assessment criteria, the distribution of financial rewards could be skewed to private rather than community benefit.*** This is not to say that DNSPs, retailers and other energy businesses do not have a role to play in the program, but that there should be careful consideration of what benefits they will offer communities.

To ensure that VNBI funded projects do deliver community benefits, we suggest assessing applications against the following criteria:

* ***Community co-investment:*** Community members are able to purchase shares in the asset owning vehicle and receive dividends. A minimum equity level (such as 10%) and/or maximum level (such as 50%) could be specified while a DNSP and/or other financier could guarantee to fund the remainder.
* ***Community benefit*:** A portion of the profits from the battery’s operations are invested directly into projects that have been co-designed with or approved by the community, or the project offers other additional financial benefits to the community.
* ***Transparency and decision making:*** Clear reporting and decision-makingpower is offered to the relevant community.
* ***Scale:*** Project is appropriately scaled to the local environment and/or community.
* ***Skills and economy:*** Project sources goods and services from the local community.

Conclusion

In conclusion, we believe the VNBI is a great opportunity to support the state's transition to zero-net emissions and has the potential to enable community leadership, should the program explicitly address community benefit. By seeking to enable ownership, investment, greater transparency, decision-making power and working with local skills and trades, these batteries will deliver more than market and network services by strengthening local economies and enhancing climate resilience.

Thank you for your time and consideration.

Sincerely,

Heather Smith

Chairperson

1. Since 2015, three community energy practitioners have been awarded Churchill Fellowships to investigate international developments in energy transitions and community energy. Their reports can be found here:

   [Taryn Lane – Transitioning regional towns to 100% renewable energy](https://www.churchilltrust.com.au/project/to-transition-regional-australian-towns-to-100-renewable-energy-by-learning-from-european-examples---germany-denmark-austria-sweden-uk/)

   [Chris Cooper – Transforming the community solar sector](https://www.churchilltrust.com.au/project/to-transform-australias-community-solar-sector-by-learning-from-the-worlds-leading-community-energy-organisations---usa-uk-germany/)

   [Heather Smith – Governance structures in community energy schemes](https://www.churchilltrust.com.au/project/to-identify-robust-governance-structures-in-community-energy-schemes---japan-germany-denmark-uk-usa/) [↑](#footnote-ref-1)
2. See for example <https://www.westernpower.com.au/our-energy-evolution/projects-and-trials/powerbank-community-battery-storage/>. [↑](#footnote-ref-2)
3. Ransan-Cooper, H. Stakeholder views on the potential role of community scale storage in Australia, Australian National University, Canberra, December 2020. [↑](#footnote-ref-3)