October 2020

Submission to the Energy Security Board – Post 2025 Market Design

Introduction

Thank you for the opportunity to make a submission to the ESB's early work on redesign of the national electricity market (NEM). The consultation document provides an excellent analysis of the challenges facing the energy sector. We would like to highlight that community energy is largely missing from your considerations and offer examples that demonstrate the need for the energy sector and the ESB in particular, to understand and work with our sector more closely.

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

Image by Community Power Agency cpagency.org.au

Community energy is growing in Australia and internationally and is contributing to energy sector reforms globally[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 a massive volunteer effort across the country that strengthen local economies, grow clean energy capacity and improve 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 ESB is grappling with NEM issues emerging at the centralised and individual customer level but the paper spends little time considering benefits that can only be unlocked at the community level. Collective benefits have been the main driver for community energy groups to come together and organise local energy solutions and the innovative activities of the community energy sector deserve greater scrutiny. This short response is not intended as a full analysis of the Australian community energy sector. Instead we provide some examples and encourage the ESB, the

[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
Chris Cooper – Transforming the community solar sector
Heather Smith – Governance structures in community energy schemes

market bodies and energy corporates to think more deeply about the role of locally scaled energy solutions and the participation of the communities who interact with energy at this scale.

Unlocking the benefits communities want

A necessary scale to consider in NEM market design, therefore, is the local level. Collective benefits are generated because generation is scaled to load, diversity between consumers creates collective value in optimizing the use of infrastructure, social practices can change in response to both market signals and community learning and energy-led benefits can be created that are not usually valued by the market.

The NEM design is obligated to act in the long term interests of consumers. The community energy sector has been showing, for over a decade, that the NEM doesn't yet unlock many of the long term benefits that communities want. Community energy groups have been at the forefront of driving:

- a faster transition to a zero carbon electricity system
- local ownership and control of energy assets
- energy efficiency, working with all consumers to improve energy costs and usage
- zero carbon community planning - empowering consumers to participate
- local job creation, regional investment and allowing communities to benefit from their own resources

Community participation in energy decision making

The community energy sector exists because more than 100 community groups around Australia believe in a different vision of our energy system and are setting about creating it. An essential common feature of community energy projects is that they are governed differently and the ESB consultation paper has not considered the possibility that an evolving NEM will also need to be governed differently. C4CE expect to see community voice and local governments having an increasing influence in energy decision making as our sector grows.

Many community energy groups are tackling climate change beyond electricity-based projects and are looking at zero-net energy and zero-net emissions solutions for their whole community. The NEM redesign cannot escape this type of whole-of-system thinking, particularly as gas and transport loads can increasingly be decarbonised via renewable electricity. The transition to zero carbon heat, transport, food, water and land use cannot be driven simply by electricity market signals. It can be heavily influenced by community action plans and community practices.

Benefits the market cannot deliver alone

Social license: Community energy creates social license, shared vision and empowered communities. An energy sector operating at the whim of new demands will struggle, whereas a sector working with its communities can be more prescient in meeting consumer expectations.

Overcome market failures: Energy efficiency and demand management can be the cheapest ways to free up energy volume and capacity but suffer from various market failures in developing the opportunity. Community energy groups have shown a willingness to engage in the information delivery and technical support required to help consumers reduce energy bills through simple actions. Communities, governments and markets need to work together to realise the full economic benefits of efficiency and demand management resources, but doing so would contribute greatly to the resource adequacy challenge.

Equity: Community energy groups continue to experiment with policy development, programs and projects to offer a "renewables for all" vision to their communities. Many within the sector recognise that the energy transition necessarily involves everyone and is currently driving inequality and increased disadvantage for some. An equity

ambition has lead to initiatives such as the solar gardens project to offer solar energy to renters and Centrelink-based financing to make solar accessible to low-income consumers.

Shared ownership of the system: The energy industry continues to imagine itself with sole responsibility for meeting energy needs, managing variability, capital replacement and integration of renewables. The largest investment of recent times, of course, is the rooftop solar powerstation that sits on everyone's rooves. Community energy projects can provide both market and community benefits. They can fix network problems and serve local needs at the same time. Shared ownership and management may well be the cheapest way to contribute to dual goals and support both the system and the consumers. Business cases developed across the energy sector rarely explore the possibility of sharing their problems and solutions with the communities who are intimately impacted by their decisions.

Helping the community energy sector grow

The recent process by Helen Haines to develop a Local Power Plan in conjunction with community energy stakeholders demonstrates the broad interests of community energy groups and their commitment to creating a better electricity system. (You can view submissions from 34 community energy groups here). The Local Power Plan calls for an investment program that supports locally scaled projects, builds the local organizational support (local power hubs) and enables communities to co-invest in larger renewable energy projects.

In our submission to Helen Haines' process, C4CE called for the Federal Government to:

1. *Determine a Target for community energy (Community Energy Target)*
2. *Establish a financial mechanism for mid-scale community energy projects*
3. *Scale up the Community Power Hub Program to be national*
4. *Deploy strategic community energy grant funding*
5. *Support the 100 renewable and zero-carbon community movements*
6. *Support a collaborative Community Energy Capacity Building Network and utilise existing networks in each state to best deliver this*
7. *Prioritise a socially inclusive energy transition with specific programs for groups such as renters and those on low incomes*
8. *Incentivise use of the low voltage and 22kV grid for community energy projects, generation and storage, in order to avoid augmentation and upgrades of the NEM and enable a faster transition*

Our submission to the VRET II consultation calls for the Victorian Government to:

1. Deliver a carve-out of the VRET for community energy, called the Community Energy Target, with a portion of each VRET round dedicated to it.
2. Use robust criteria for project proponents to ensure genuine community energy projects are enabled.
3. Create an EOI process and development grants to de-risk community energy projects.
4. Implement a financial incentive such as a feed-in tariff, minimum floor price or annual payment (CEI).
5. Community energy projects under this scheme should be given flexibility for how they trade electricity to prioritise local supply arrangements.

However, both of these processes work with a NEM that is slow to change. The ESB re-design is an opportunity to accommodate community participation and locally scaled solutions into the heart of market design. This is not to advocate for all change to be driven by community action in preference to market signals, rather it is to recognise that community energy groups are operating at an innovative edge - an edge that could become the mainstream in time. The ESB would do well to learn alongside the community energy sector as our sector stretches the boundaries of possibility in energy governance, and local energy system design.

Conclusion

We hope you will consider how to best unlock the benefits community energy community energy can provide, producing a pipeline of local jobs and delivering significant economic development throughout Australian regions and cities. There is a great opportunity to enhance our nascent sector with a market design that better appreciates the way community energy delivers long term benefits to consumers, overcoming many of the existing market failures.

Consultation

Many people with diverse backgrounds participate in the community energy sector. A rare few will read the ESB paper. We have provided a summary and invitation to comment in this online document. You can view our progress in engaging with our sector on NEM market redesign by viewing the document directly at the link. A more active conversation is expected to occur within our Facebook group.