ACT Government
Environment, Planning and Sustainable Development

THE LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

Review of Community Solar feed in tariff capacity release

May 2020

Mr Shane Rattenbury MLA
Minister for Climate Change and Sustainability

ACT Government
Environment, Planning and Sustainable Development

Review of Community Solar feed in tariff capacity release

5 September 2019

Contents

Executive Summary

This document is a review of the community solar FiT capacity release, as required under the *Electricity Feed-in (Large-scale Renewable Energy Generation) Act 2011*. The review provides a background on how the community solar capacity release was structured, including the assessment process for bids, and assesses the appropriateness, value for money, efficiency and effectiveness of the community solar capacity release.

The review determined that the community solar capacity release:

- Met the objectives, by
    - Delivering renewable electricity in the ACT;
    - Supporting the development of the renewable energy industry by providing a 'proof of concept' for a new business model;
    - Reducing greenhouse gas emissions;
    - Reducing use of non-renewable power in the ACT; and
    - Delivering benefit to renters and people living in multi-unit tenancies, who previously missed out on the benefits of solar.
- Was delivered in an efficient and effective manner, with ACT Government capability and capacity not being considered a contributing factor to the four year timeframe that was necessary to secure an agreement. The delays in signing an agreement were caused by the fact that the community solar farms were a new and untested concept. This required the ACT Government and proponents to work together to establish standards and processes for issues that arose from the community ownership and scale of the project.

The review has produced three recommendations for action by the ACT Government, if any further community solar is to be supported with a feed-in tariff.

Recommendation 1: Operational data from the Solarshare project after its completion could be used to investigate the costs and benefits of community solar, should the ACT Government consider supporting another community solar project.

Recommendation 2: for any future community energy projects, the ACT Government should consider ownership/payment structures that ensure ongoing ACT Community ownership, such as using virtual net metering to deliver savings on investors' electricity bills.

Recommendation 3: the ACT Government should ensure that documentation for any request for proposals under the Act is as complete as possible, detailing the requirements on proponents, as well as the objectives of the scheme.

When undertaking new and innovative projects, it will not always be possible to address all issues at the outset. If and when additional requirements need to be imposed, or additional information must be sought, the ACT Government should endeavour to explain the reason why the new requirement is necessary and unforeseen.

Introduction

The *Electricity Feed-in (Large-scale Renewable Energy Generation) Act 2011 (the Act)* allows the Minister for Climate Change and Sustainability to release FiT capacity and grant it in relation to a large renewable energy generator. Section 22 of the Act, below, requires a review of all such capacity releases.

22. Review of Act

1) The Minister must review a FiT capacity release within 6 months after the last FiT entitlement under the release is granted.
2) A review under subsection (1) must include—
    a. an evaluation of the outcomes in relation to achieving value for money; and
    b. in relation to a competitive process for a FiT capacity release—an evaluation of the process, including the administration of the process and its effectiveness in generating competition.

This document is a review of the community solar FiT capacity release. The review provides an examination of how the community solar capacity release was structured, including the assessment process for bids, and assesses the appropriateness, value for money, efficiency and effectiveness of the community solar capacity release.

Due to the small scale of this capacity release, and as there is currently no ACT Government policy to undertake another community only capacity release, it was not deemed an appropriate expense to procure an external review of the capacity release. Accordingly, an internal review has been undertaken, including peer review from an Environment, Planning and Sustainable Development Directorate team that was not involved in the process.

Community solar background

Community solar is a relatively untested business model, and this capacity release was intended to assist in developing a community solar market. The benefits anticipated from the community solar scheme extend beyond the direct impacts of the ACT scheme, as there is potential for this project to assist and inform the development of additional community renewable electricity projects around Australia.

The community solar scheme was undertaken to meet additional objectives beyond just the delivery of the most energy at the least cost. The community solar farm was not anticipated to contribute a large percentage of the 100 per cent renewable electricity target or deliver electricity at costs competitive with larger renewable electricity procurement processes.

Like rooftop solar, Community solar allows individuals to contribute to reducing emissions from the electricity sector and to make an investment to offset their energy bills. However, rooftop solar can be difficult to access for renters, in multi-unit dwellings or homes without suitable roof space for solar. The community solar scheme was intended to allow access to the benefits of renewable energy for all ACT residents, regardless of their circumstances.

The Majura Community Energy (MCE) solar scheme was granted a feed-in tariff under one of five capacity releases under the Act. These releases are shown in Table 1.

Table 1 - Capacity release history

Release	Capacity (MW)	FiT price range ($/MWh)	Timeframe
Solar	40	178-186	2012-2013
Wind 1	200	81.50-92	2014-2015
Wind 2	200	77-89.10	2015-2016
Next generation	200	78-90.40	2016
Community Solar	1	195.6	2014-2019

Community Solar Scheme proposal history

The Community Solar Scheme has had several rounds of requests for proposals (RFP). The first round opened on 16 June 2014 and was open until 16 June 2015 with proposals considered on a first-come-first-served basis. The request for proposals for that round allowed for a feed-in tariff of up to $200/MWh.

In September 2014, one proposal was received. The Environment and Planning Directorate (EPD), the predecessor to the Environment, Planning and Sustainable Development Directorate (EPSDD) Advisory Committee identified several issues with the proposal, including questions around the proposed ownership structure and whether this would satisfactorily deliver on the EL1 eligibility criteria identified in 'Assessment Process'. Consequently, this proposal was not granted a feed-in tariff.

On 7 November 2014 a new RFP for the scheme was released for a second round of proposals, with all submitted proposals to be assessed against each other. Two proposals were received. An Advisory Committee assessed the two proposals and identified that the two proponents would benefit from submitting a single joint bid and sharing expertise.

On 20 July 2015, EPD received a joint proposal from the proponents. However, this proposal was not successful, as the two parties did not reach mutually agreeable terms.

On 26 May 2017, one proposal was received for the Solarshare Community Energy project. After an evaluation of the proposal and negotiation around the proposed legal structure, EPSDD signed a deed of entitlement for the project on 11 December 2018. On 12 May 2019 the Minister for Climate Change and Sustainability published a feed-in tariff entitlement for the project.

Assessment process

The proposals were assessed against both eligibility criteria, and evaluation criteria as shown in Table 2.

Table 2 - eligibility and evaluation criteria

Eligibility criteria	
EL1	A Proponent must be a single legal incorporated entity that is a genuine ACT based community organisation.
EL2	A Proponent must not be insolvent, or become subject to an Insolvency Event during the Scheme evaluation process.
EL3	A Proponent must not have had a judicial decision relating to employee entitlements made against it (not including decisions under appeal) and not have paid the claim.
EL4	A Proponent must not have been named as an organisation that has not complied with the *Workplace Gender Equality Act 2012* (Cth).
EL5	A Proponent must submit a completed Proposal Form and all required attachments by the specified closing date and time.
EL6	Proposals must be for a solar generating system.
EL7	Proposals must be for the establishment of a single generating system that has no less than 201kW and no more than 1MW generating capacity as determined at its point of connection to an interconnected national electricity system.
EL8	Generating systems must be connected to the interconnected national electricity system (as defined in the Act).
EL9	Proposals must be for a new (yet to be constructed) generating system.
Assessment Criteria	
EV1	Risks to timely project completion
EV2	Local community engagement
EV3	ACT economic development benefits
EV4	Reliance on Treasury Financial Guarantee

Review framework

This review assessed whether the community solar capacity release met the following criteria.

Appropriateness

- Did the process align with the objectives of the Act and the objectives of the Government in supporting community solar?

Value for Money

- Did the process deliver benefits to the ACT in excess of the costs?

Efficiency

- Was the administration of the Community Solar procurement process commensurate with ACT Government capability and capacity?
- Was there certainty and predictability in the costs of the process?
- Were governance and management practices effectively used to carry out the process and manage risks, transparency and accountability?

Effectiveness

- Did the process stimulate an appropriate level of industry participation and competition?
- Was the quality of proposals consistent with government expectations?

Appropriateness

The Objects of the Act are to:

A. promote the establishment of large-scale facilities for the generation of electricity from a range of renewable energy sources in the Australian capital region and other places;
B. promote the development of the renewable energy generation industry in the ACT and Australia consistent with the development of a national electricity market;
C. reduce the ACT's contribution to greenhouse gas emissions and help achieve targets to reduce the ACT's greenhouse gas emissions; and
D. address the need for urgent action to be taken to reduce reliance on non-renewable energy sources while minimising the cost to electricity consumers.

Additionally, the stated aim of the community solar round was to "be accessible to renters and people living in flats and apartments, who previously missed out on the benefits of solar".

Assessment against objective A
The Majura Community Energy solar farm will deliver additional solar electricity generation in the ACT, and helps to increase the range of energy sources delivering electricity for the ACT. The Solarshare project therefore meets objective A.

Assessment against objective B
By helping to establish the business case for community solar, the Solarshare scheme has acted as a 'proof of concept' for community solar. This has helped to demonstrate a new model for delivery of grid connected solar, with Government support making it possible.

The project will support employment in the renewable energy industry in the ACT during construction and operation. In addition to this direct employment, Solarshare has committed to working with ACT educational institutions, providing access to real world projects for study, including through making available data from the solar farm.

Assessment against objective C
The solar farm will meet objective C by generating enough renewable electricity to power 300 homes, reducing greenhouse gas emissions in the ACT.

Assessment against objective D
The project will address the need for urgent action to be taken to reduce reliance on non-renewable energy sources as the renewable electricity delivered by the project will supplant non-renewable power that would otherwise be required for the ACT's consumption.

The feed-in tariff price agreed was higher than the deeds signed under the large scale auctions. However costs to consumers who did not participate in the community solar scheme were kept to a modest level by only releasing 1 Megawatt of capacity for the community solar scheme. The anticipated cost of the feed-in tariff is forecast to be approximately 1 cent per household per week, and will not cause the total cost of the feed-in tariff program to exceed the current forecast of $4.90.

Assessment against community solar objective
The Solarshare project was accessible to all ACT residents, as there are no significant barriers to participation, including for those who have not and cannot otherwise benefit from solar electricity.

Value for money

In earlier reviews of FiT capacity releases, the value for money assessment considered the FiT price as well as other evaluation criteria, such as industry development outcomes.

The Solarshare project was awarded a FiT price of $195.60/MWh. However, the FiT price is not fully reflective of whether value for money has been delivered. FiT payments represent a transfer of wealth from all ACT electricity consumers to ACT residents who own shares in the project. This results in a transfer of wealth between ACT residents, but it does not result in a net transfer of wealth out of the ACT.

The Solarshare project also represented an opportunity for renters, residents of multi-dwelling buildings, households with limited capital capacity and others who could not have easily invested in solar energy to participate directly in supporting this technology and realising the consequent benefits. The project also provides a demonstration of how this type of investment might be managed in future.

There are three aspects of value for money considered important in assessing this proposal:

- A comparison of the benefits of the project with the costs to MCE to build and operate the solar farm;
- An analysis of where in the ACT costs and benefits accrue; and
- An analysis of MCE's genuine community ownership.

Costs and benefits
The costs to build and operate the solar farm cannot be included in this review. They are commercially sensitive property of MCE, and are also only forecasts at this stage, as the construction has not yet been completed.

Recommendation 1 – operational data from the Solarshare project after its completion will be useful for any Government or organisation considering supporting community solar

MCE has committed to providing data to the Australian National University regarding operation of the plant. This data may be useful in determining the net benefit/cost to the ACT from the project, after operations have commenced.

Where costs and benefits accrue
The community solar scheme had a minimum investment threshold of $350, considerably below the typical investment threshold for rooftop solar. MCE received investment from retirees, students and renters, groups that can be under represented in benefiting from rooftop solar, and typically spend a higher portion of their income on energy bills. Data from surveys undertaken by Solarshare indicates 45% of registered prospective members were

not in a position to have solar panels installed, indicating that the project has delivered on the Government's objective of enabling significant numbers of 'locked out' ACT residents to benefit from renewable electricity generation.

Genuine community ownership

MCE's fundraising rounds were only open to genuine ACT community investment, which have resulted in the Solarshare project being 100 per cent owned by the ACT community. However, after three years from when the shares were initially issued, ownership of shares can transfer outside of the ACT. Genuine community ownership is therefore expected to be slightly eroded over time.

Recommendation 2 – consider ownership/payment structures that ensure ongoing ACT Community ownership.

Tightening ownership requirements would be impractical under the share based ownership structure. If the ACT Government chose to progress another community energy project, it may be desirable to investigate alternative ownership models. For example, virtual net metering could be used to allow ACT community members to receive savings on their electricity bill through holding the rights to a portion of the project output, rather than owning shares that return a dividend. This would ensure that the financial benefit accrues to an ACT resident, although would have to be structured in a way that allows renters to transfer the benefit with them when changing address.

Efficiency

It took four years from the first request for proposals in 2014 to sign a deed of entitlement in 2018. This occurred due to difficulties in securing an appropriate project. This timeframe is not consistent with the other capacity releases and resulted in a significant delay to deed execution compared to initial expectations.

ACT Government capability and capacity was not considered a contributing factor to the extended timeframe to secure an agreement. The delays were caused by the community solar farms being a new and untested concept, which meant the ACT Government and proponents needed to work together to establish standards and processes for issues that arose from the community ownership and scale of the project.

The proponents raised concerns that EPSDD imposed higher and more specific requirements than originally outlined in the RFP. This implies EPSDD could have done more to communicate expectations around requirements early in the project to ensure that all proponents knew what was expected of them from the outset.

Recommendation 3 – ensure transparent and best practice communication at the outset of any renewable energy procurement

The ACT Government should ensure that documentation is as complete as possible, detailing the requirements on proponents, as well as the objectives of the scheme.

When undertaking new and innovative projects, it will not always be possible to address all issues at the outset. If and when additional requirements need to be imposed, or additional information must be sought, the ACT Government should endeavour to explain the reason why the new requirement is necessary and unforeseen.

Effectiveness

The process did stimulate sufficient industry participation to deliver a project in line with the objectives. However, the $195.60 FiT price was relatively close to the $200 maximum. This implies that the process did not drive deep competition, which could have resulted in a lower FiT price.

There were issues identified with the quality of proposals initially. However, after refinement of the proposals EPSDD considered the quality to have improved and met expectations. The most significant improvements included:

- Development of an ownership structure that would ring-fence the Majura Community Energy project from any future community solar farms undertaken by Solarshare;
- A reduction in Feed in tariff price requested from the initial proposal.
- Improved community engagement and industry development commitments.

Conclusion

The community solar FiT capacity release delivered on the objectives of the Act for a capacity release and the Governments objective in limiting participation in the capacity release to community solar.

The review provides three recommendations, which should be accepted by the ACT Government to further improve processes if the ACT Government chooses to progress a future community solar capacity release.

The third recommendation has broader applications, and should be accepted with a view to apply this recommendation to any future capacity release.