

Briefing: CVH Renewable Energy Program-Economic Devpt.

Overview

Purpose To demonstrate the economic opportunity available to CVH and environs via the development of renewable energy sources within the shire while simultaneously addressing climate change.

Audience EDC, Council, Directors and the Executive

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Author Roy Ramage
EDO
City of Victor Harbor

Background

Description Rural SA faces ever increasing energy costs in achieving sustainable economic development and addressing climate change. Governments have a role to play in ensuring that residents, businesses and industry are not disadvantaged by increasing costs of energy, unreliable power supply or inefficient transmission of electricity.

The community purchase of renewable energy program is aimed at reducing financial barriers by minimising the payback period of renewable energy investment, while at the same time acting on climate change. Council is well placed to coordinate this program on behalf of residents and industry, since it has a unique ability to negotiate with suppliers and attract funding across a range of programs that can achieve economic, social and environmental outcomes. This program is expected to have a range of substantial long-term benefits on the local economy.

Problem Cost. In addressing these issues, developing local capacity to produce energy via renewable technologies is the best option. But, despite current state and federal government rebates and incentive schemes for renewable technologies, the capital costs associated with them, remain a barrier for significant local uptake.

History As the major obstacle for our community investing in renewables is high capital cost, it is reasonable to assume that if capital costs can be reduced or spread over a longer period, in a similar way to paying an electricity bill, then uptake of renewables will improve. An opportunity exists for CVH to promote and coordinate a bulk buy purchase of renewable technologies on behalf of residents and industry, as a means of facilitating discounts through improved buying power. Initially, photovoltaic cells and solar hot water systems will be targeted, as these represent currently available, ‘off-the shelf’ systems for which demand is likely to be sufficient to generate required numbers necessary to obtain adequate bulk buying discounts. Wind turbines are also targeted.

Urgency Unreliability, ever increasing costs and the impending ETS schemes mean energy can’t be taken for granted. The traditional way of providing energy is no longer viable. Climate change will drive industry changes.

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Background, Continued

Potential impact The economic spin-offs via local investment in renewables are increased opportunities for jobs within CVH (possible supplier presence, indirect trade installation & ongoing maintenance), cost savings to those who adopt the technology (energy efficiency and feed in tariffs) as well as an overall flow-on effect of saved income, a percentage of which is likely to be spent locally. Assuming over 2,000 rateable properties in CVH make the switch, each saving around \$220 per year (current estimate) in electricity costs, this represents over \$440,000 available to the local economy. Compared to the current scenario in which operational jobs and revenue from power bills are directed primarily outside the Shire.

Objectives The community purchase of renewable energy program has the following specific goals;

- ☒ ☒ Increase local capacity to produce clean, renewable energy by reducing the financial barrier associated with switching to renewable energy;
- ☒ ☒ Communicate information on energy costs within the local community, and the economic benefits of renewable energy;
- ☒ ☒ Partner with industry and stakeholders to improve efficiencies of investing in renewables;
- ☒ ☒ Provide positive marketing exposure to private partners in exchange for improved discounting of goods and services to meet project aims;
- ☒ ☒ Develop a renewable program that commits CVH residents and industry to continuous investment in renewables as future technologies, policy, market structures and costs allow;
- ☒ ☒ Strengthen local economic opportunities through training/certification of local trades for installation of selected equipment;
- ☒ ☒ Maintain economic activity through ongoing job creation associated with further installation and maintenance of renewable technologies;
- ☒ ☒ Deliver electricity cost savings to participants;
- ☒ ☒ Market this program as a part of CVH's "preferred brand," by communicating the social, environmental and economic benefits of renewable energy;
- ☒ ☒ Reduce greenhouse gas emissions through increased uptake of non-polluting energy production.
 - Avoid where possible and eventually negate ETS penalties

Key Issues

Overview	<ul style="list-style-type: none">• Stakeholders• Additional supporters• Initial partners• Responsibilities CVH• Participants• Partner Supplier Installer• Partner Lender• Budget and resourcing
Stakeholders	Ratepayers of CVH (domestic, rural and commercial) and adjacent councils are the primary customers of this program. The program has been developed with the aim of reducing financial barriers to these customers for participating in renewable energy investment, in order to deliver savings through energy efficiency. The CVH community will also directly benefit from longer term economic outcomes generated by the program.
Additional supporters	A range of organisations share some or all of the goals of this program, with some having particular links from a policy perspective including Regional Development SA, Fleurieu Regional Development adjacent councils and the SA Area Consultative Committee. These organisations are stakeholders with the potential to become partners if they are able to add value or resources/ funding to the program to achieve mutual goals.
Initial partners	Initially, it is anticipated that two private partners will be involved in the program, one as an expert supplier/installer of renewable technologies, and another to partner through offering low interest loans for participants. CVH will identify these private partners based on their ability to provide competitive rates for associated goods and services and the alignment of partners with program objectives. In determining the degree of alignment, CVH will consider a number of factors relevant to prospective partners including whether the company is state based or local and the potential benefits that partners can offer including local capacity building, job creation in CVH and other value add initiatives.
Responsibilities CVH	As the program leader, CVH will be responsible for coordinating required actions and defining relationships between partners, participants and stakeholders to meet the stated objectives. The EDO will have day to day responsibility for program implementation, reporting to the Director of Planning & Regulatory Services. The Chief Executive Officer, Council, partners and stakeholders will be kept informed of program progress as required.

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Key Issues, Continued

Responsibilities CVH contd. Although CVH will lead the program, clarification is necessary concerning the commercial agreements between participants and suppliers of goods & services (partners), required for such a program to proceed. CVH is in a unique position to **facilitate** bulk purchase discounts and improved lending rates to participants, however, it is **not** in a position to enter into commercial contracts or agreements on behalf of these parties. Partners (lending institutions and/or goods and services suppliers) and participants will be obliged to agree with each other on specific terms.

CVH will assume no liability with respect to issues that may arise pertaining to payments, type of equipment, installation and operation of the equipment. A mechanism will need to be in place to ensure that both participants and partners are aware of their respective responsibilities under the program.

CVH will however, in its duties as a program leader, endeavor to conduct a limited due diligence review of prospective partners as a part of the selection process. Where third party stakeholder funds are available (for example, if a grant is available to assist in reducing capital costs further), CVH may enter into a commercial agreement to administer such funds. The precise management of funds and payments made under such an agreement will be documented and clarified according to the specific proposal. In general, the following responsibilities apply to the program leader, partners, participants and stakeholders.

Participants Ratepayers/residents or businesses that choose to participate in the program are responsible for determining their own power system requirements and funding the investment. CVH will arrange for a supply/installer partner to provide technical advice and equipment at an agreed purchase price, and will identify lending institutions that can provide loans. Participants are responsible for undertaking all technical and commercial negotiations directly with nominated partners. Participants are fully responsible for all aspects of selecting and financing renewable energy equipment on their properties.

Partner Supplier/ Installer Will provide a range of renewable technology options and advice, suitable to the CVH area. The supplier/installer partner will provide competitive bulk pricing, scaled for a range of scenarios of subscriber/participant interest. In addition to equipment supply at discounted rates, it is anticipated that the partner will provide value adding through training/certification opportunities to local trades. The supply/install partner is expected to ensure that local trades have the opportunity to bid on installation and ongoing maintenance works as well as participating in agreed program media / promotions. Prospective partners will be asked to present an expression of interest, outlining how they see themselves partnering CVH to best achieve program outcomes.

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Key Issues, Continued

- Partner Lender** Will provide a low interest loan product for those participants who wish to take up this option. The aim of the low interest loan is to spread the costs of renewable capital investment so that this option is as attractive or more attractive than current electricity costs. The partner lender will be selected by CVH, taking into consideration the competitiveness of the proposed loan arrangements as well as any other value adding that the lending institution may be able to bring to the partnership. The Partner lender should be willing to be involved in promotional activities.
- Budget and Resourcing** As the program will be run between Council, partners and participants, various funding and resourcing will be allocated between the parties.
- Inputs for Council will be focused at resourcing the program with a Project Manager and operating a moderate budget for promotions. It is estimated that \$10k budget will be allocated to this program in cash. A Project Manager could be appointed to run the program, working approximately two and a half days per week for six months, which equates to approximately \$32,500.
- In-kind transport costs, office space, support and overheads will be met by Council, and could equate to a further \$30,000 in kind towards the program. This brings Council's level of commitment to around \$72k. Initial discussions with private supplier/installer partners have indicated that a bulk discount rate of between 10% and 30% may be achievable, subject to participant levels.
- Based on approximate industry figures and assuming 500 participants, this level of support equates to between \$750k and \$2.2m in discounts, depending on the discount level agreed.
- Rebate volumes** The current Commonwealth Government rebate of \$8000 for a 1kW photovoltaic system will equate to direct cash funding of \$4,000,000 if 500 participants are achieved. Additional contributions will be available for renewable hot water service installations.
- The extent of discounting to be obtained from lending institutions is less clear at this point. Based on discussions to date with local banks and given the potential for green marketing associated with this program, it is expected that an improved rate will be offered specifically for this program.

Summary and Next Steps

Summary: A Renewable Energy Program facilitated by Council is feasible, desirable and necessary if CVH is to contribute to an energy efficient and sustainable community and effectively address climate change. It presents an economic opportunity to boost jobs and the economy as a whole.

Decisions EDC Support
VHBA Support
Council Approval

Next steps The following series of actions outlines the current approach to executing this program:

- Prepare and present the Renewable Energy and Development Policy to Council
- Prepare a Program outline to establish how the program will be operated;
- Circulate relevant Policy and Program details to potential partners to identify common goals and opportunities
- Revise the program outline as required to meet the needs of partners;
- Develop EOI's with potential industry partners based on agreed program goals
- Assess expressions of interest and select industry partners
- Refine the funding model with industry partners showing options and cost scenarios, incorporating funding or partner assistance where necessary
- Develop media/promotions campaign with agreed funding model
- Generate a participant list, based on feedback from media/promotions campaign
- Communicate mechanism to ensure participants and partners fully understand their obligations and responsibilities under the program
- Pass participant details to partners for execution of the program, including trades certification workshops
- Measure participation and communicate program results to Council, program participants, partners and stakeholders
- Review and report on achieving program goals
- Identify similar projects where this model has potential to succeed and recommence project/planning phase.