

Renewable Albury Wodonga Energy Inc.

Review of Climate Change Innovation Grant Process and outcomes.

Narelle Martin

On behalf of the Board of RAW Energy Inc.

10 February 2020.

Introduction

Renewable Albury Wodonga Energy (RAW Energy) is a small volunteer based organisation, established in 2014 and incorporated in 2018. RAW Energy was a partner in the state funded project “ Putting the Wodonga Solar Business Case into action”. The funds were provided through the Virtual Centre of Climate Change and Innovation Grants 2018. RAW Energy prepared this report to support a final report required by the Government of Victoria through the Department of Environment, Land, Water and Planning (DELWP). The purpose of the final report is: “It will encompass the whole project and provide an opportunity to communicate the successes of your project to other organisations and interested parties. “ (DELWP, 2018).

This report is written as a stand - alone document. However, elements of it may be used in the formal reporting to DELWP, being prepared by The City of Wodonga (COW) the principal partner and auspicing body for this project

In November 2019, the Board of RAW Energy met to review the project and to decide what should happen next with its final element and its related funding. The Board conducted a risk analysis, including acknowledging the changes in the landscape around renewable energy and community energy. Factors that were considered included:

- the prospectus approach was onerous, and an overkill for what was needed
- the high standards required of the principal partner’s procurement team added complications to milestones and timetables required by DELWP,
- the need for further consultation with local businesses already involved
- the considerable stress and burnout experienced by the volunteers required to make adjustments and finalise any potential for the project.

The conclusion of that analysis was the project should not continue and the remaining funds be returned. The decision was formally provided to the City of Wodonga, and to DELWP (Appendix One).

RAW Energy thanks the staff of the City of Wodonga for their time and investment in this project, and understand the decision to discontinue the project was a difficult one. RAW Energy also appreciates the assistance of the staff of DELWP in their management of this project and their assistance in trying to meet all the goals of this project.

The Board of RAW Energy is committed to provide a full report of the lessons learnt with this project.

Background

1. Establishment of RAW.

At a community meeting in 2014 held in Yackandandah, there were several people from Albury Wodonga who identified a passion and need to develop community energy projects within their own community. Four people started meeting and spent 6 months discussing what projects could be achieved and called themselves RAW Energy (Renewable Albury Wodonga Energy). The decision was made not to become an incorporated community group at that stage. The group felt not much would be achieved with advocacy alone and sought support from both Wodonga and Albury councils. Both the City of Wodonga and Albury City Council were supportive with the provision of

officer time and meeting spaces. RAW Energy started as and continues to be a volunteer based organisation.

The initial ambition was to start on small projects and build knowledge and skills as the group developed. A fundamental concern was to make sure that lower income community members and disadvantaged groups were not left behind as the renewable energy changes were realised. The grand ambition of the group was to facilitate the development of a solar farm.

2. Gauging Interest

In 2015 RAW held a workshop (community conversation) to gauge support and interest in renewables and to determine if it was viable to start projects in Wodonga. Significant support was expressed from representatives of organisations with decision making power and the ability to create and implement change.

Shortly after that workshop the Victorian Government announced the “**New Energy Jobs Fund**” (NEJF). RAW Energy members thought that this opportunity might not come again. In partnership with Wodonga Council, RAW Energy applied for funds to conduct a feasibility study for building a minimum 2 megawatt (MW) solar farm in Wodonga. A major component of the solar farm development was direct benefit to those in the community renters, low socio economic, and the elderly for example, who are directly impacted by high and volatile electricity costs and suffer financial barriers in entering the renewable energy market

Project One: New Energy Jobs Fund (NEJF)

RAW was successful in obtaining \$99,000 in funding. Experienced community energy consultants, Moreland Energy Foundation Limited (MEFL), were engaged. They undertook research with RAW Energy, and sought and received input from a wide number of potential partners and stakeholders.

The project development and delivery helped form important community connections and potential corporate partnerships, including the local water authority, solar developers, the relevant network operator, and broader community stakeholders.

Working with MEFL a series of options were considered in developing a solar farm:

- behind the meter,
- before the meter,
- stand alone - doing the whole lot by RAW
- funded by local investment,
- partnering with a larger developer with a portion set for community investment,
- partnering with multiple local businesses i.e. 20 x 100kw systems with a Power Purchasing Agreement (PPA)

RAW Energy was also preparing ideas for a community benefit program that would directly benefit our target resident.

During this project, the landscape of renewables and solar farms changed very quickly. One of the biggest changes was in the size of the solar farm developments. When RAW first applied 2MW was ambitious. The size of projects being developed in the industry changed rapidly, 25MW quickly became the minimum size and projects extended up to 250MW. Although a 2MW solar farm was still ambitious for community ownership, the costs of such developments were changing at a rapid pace and hard to track.

The NEJF feasibility study was a great project to understand and explore all options. We believe all participants in this project developed their knowledge of renewable energy projects. At its conclusion, it was evident that there were two approaches in achieving a local community energy solar farm to choose from:

- i. Partner with a developer; or
- ii. Partner with several local businesses that together would make up the 2MW

At the time of conclusion of this project, there was active interest from 3 different developers to partner with RAW Energy.

Governance

During 2017-2018 RAW received funding of \$2,000 from COW to investigate potential governance models. This included scoping the legalities and practicalities of becoming a legal entity or not-for-profit group.

The investigation revealed becoming a “company limited by guarantee” was an expensive and complex process. It was also considered contrary to RAW Energy’s core purpose of being a community renewable energy group. Following these investigations, the decision was made to incorporate in Victoria as a not-for-profit community group. Incorporation took place on 9 February 2018.

This was after the CCIG project application was submitted – hence Wodonga Council auspiced RAW Energy again for this funding application.

Project 2: Climate Change Innovation Grant (CCIG)

RAW decided to apply for funding for the Climate Change Innovation Grant (CCIG). The funding was to look at ways to deliver the outcome of the NEJF findings.

The City of Wodonga was the primary applicant, while RAW Energy was the principal partner. The project built on outcomes of the previous funded project: feasibility study and business case for a community owned solar installation. Again, a core purpose was to deliver benefits to people in the community who would otherwise be left behind in the energy transition.

An important consideration was to ensure that all processes for the development and implementation of the project complied with rigorous protocols established by the Procurement Unit of COW. RAW Energy was very appreciative of the assistance of several staff who initiated parts of the project including writing the Request for Quotation (RFQ) and later, tenders for consultants to deliver the project.

The initial stage for the project was to call for Requests for Quotation (RFQ) for a Project Manager, who was then appointed. Stakeholders, involved in the previous NEJF project, were consulted and their interest in working together on this new funding project was sought.

A significant change was that the potential developers previously consulted by RAW Energy were unable to proceed. One was unsuccessful in the Victoria Reverse Auction, a critical component in the viability of their project. Another identified land in the Wodonga LGA was too expensive and hence their project was not viable because of this cost while the third was still keen until changes to their land use meant that the proposed approach with RAW Energy could not proceed.

The alternative option of working with local businesses was still potentially viable. The small number of businesses interested in exploring their options through the RAW project had a combined interest of less than 2MW. However it was considered that a smaller amount such as 100kw could provide the initiative for further expansion with other businesses.

An initial focus of the Project Manager was to create the energy benefits program. RAW Energy was successful in obtaining funding to run a pilot program, where 10 x 4kw solar systems were installed on social housing property owned and maintained by Beyond Housing. These systems also had real time energy monitoring and will be the basis of a future case study, including identifying results of the energy monitoring. These systems were installed in October 2019, and are seen by RAW Energy, householders and Beyond Housing as a major success.

Another part of the project proved more challenging: to create a prospectus that could be taken to the community for feedback. It would allow community investment and ownership of any installations. Any profits derived from the projects over time would be fed into our energy benefits program and investors.

In partnership with Wodonga Council a tender was developed and put to market. When the submissions were evaluated it became clear that the tender document had not been specific enough about the required skills. The original tender had focussed on the solar farm, rather than the financial instrument ie. Prospectus. As such the tenders received did not meet the requirements of RAW Energy or the funding proposal. It was decided to withdraw the tender and redraft another one to more accurately reflect the actual preparation and production of a prospectus – a more financial output focus.

The responses to the second tender round were more appropriate but provided a spotlight on the weakness of the approach. The outcome of both tenders was that the focus on the term “prospectus” restricted the ability to deliver the project and became a problem. It was after the second round of tenders that it was realised that the wording of the initial funding application was the hurdle. The focus on developing a prospectus in the application for funding restricted the funding options that could be used. A Prospectus was an overkill model for funding in this case. It was also clear that other funding options were available which would allow RAW Energy to meet its goals of ensuring that the rewards of renewable energy were also available to lower socio-economic members of the community.

The focus on a prospectus model came from the initial discussions with COW and the expectations that the project should be highly professional, reflect a business orientated approach and allow for a community investment with an expected return. At the time, a prospectus was the only model that had been identified and the process was innovative and novel.

At the conclusion of the two tender processes, RAW Energy needed to consider carefully what should happen next, and whether it was viable to continue with the project by pursuing the development of a prospectus. A special meeting of the Board was held where a risk and opportunity analysis was undertaken. Appendix Two includes a summary of that work.

There were several major considerations in this discussion, analysis, and decision making. These included:

- None of the submissions in the second round met *all* the requirements of the tender.
- The timetable for delivery of this project was unachievable without considerable additional input from the volunteers within RAW Energy.

- The personal energy levels of the RAW Energy volunteers were very low and had been drained by the whole and long process of getting this project to succeed.
- There are now community funding and investments projects and models available that deliver similar outcomes for the community.
- The ongoing administration of a community fund was unresolved and may not be appropriate for a volunteer organisation.

At the conclusion of the meeting it was agreed that the remaining funds should not be spent and be returned to the State. Formal notification of this decision was provided to the City of Wodonga, and through them to DELWP. A copy of the letter is included as Appendix One.

Major lessons

Throughout these projects there was strong emphasis on providing accurate and helpful information to the larger community. Stakeholder relationships and partnerships were developed, and the core strengths and values of RAW Energy were clarified and confirmed. A major strength of RAW Energy was in community engagement. We believe our community consultations and ongoing connections helped initiate and build momentum for separate renewable energy projects within organisations.

The Beyond Housing project was an example of a very successful collaborative project that delivered real benefits to local households who experience cost of living pressures. In retrospect, if RAW Energy had access to the same funding, it would have been more useful to employ someone to develop more projects of a similar nature.

RAW Energy as a volunteer organisation was undergoing changes in personnel, size and structure. There were certainly some challenges along the way. A key lesson is that volunteers are thinly stretched. Volunteering needs to be fun for people to continue their engagement and contribution in the organisation.

Volunteers have lower skill sets required for technical and financially complex project as “Putting the Wodonga Solar Business Case into Action”. The project team and RAW Energy would have benefited from early input from professions such as accountants and lawyers.

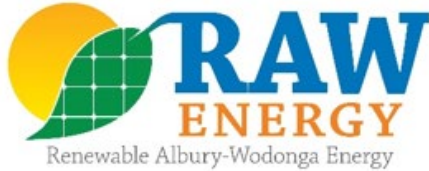
Conclusion

RAW Energy appreciates the substantial investment of time and energy and expertise of the City of Wodonga staff and the input and number of volunteer hours involved in this project. Renewable energy is a critical factor in reducing greenhouse emissions. With exciting changes in technology and lower costs renewable energy will continue to be an attractive energy source. The challenge is to continue to develop projects that ensure all members of the community benefit.

References

Department of Environment, Land, Water and Planning (DELWP) (2018). *Virtual Centre For Climate Change Innovation Grants 2018 Final Report Template*. Government of Victoria.

Appendix One: Letter notifying Ceasing of Project



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Ms Robyn Nicholas
Sustainability Coordinator
Wodonga Council
104 Hovell Street
Wodonga 3690

11 November 2019

Dear Robyn,

On behalf of Renewable Albury Wodonga Energy Inc. we would firstly like to thank you for all of your work supporting RAW on the Climate Change and Innovation Grant project. We also appreciate the support of the City of Wodonga and the staff in assisting in the appropriate management of the funds provided by DELWP. This letter is to confirm the verbal advice provided on Friday 8th of November 2019.

RAW is at a crossroads with this grant and project. From the time of the application for the funds, the space of renewable energy, community energy and distributed energy has shifted enormously. We have had some significant and important outcomes from the work that has been completed from this project. A major outcome is to understand that developing a prospectus for fund raising is not the appropriate tool, and at least one tenderer has expressed concern if RAW were to take this route.

As you are aware there has been considerable effort to get an outcome that will meet the needs of RAW, the contract terms of DELWP, and reflecting the protocols and probity rules of the City of Wodonga. This has included redrafting and reissuing the tender for the final phase of this project.

In the light of the response of the latest tender round the Board of RAW met on Thursday 7th of November to decide which avenue RAW would undertake moving forward. A detailed analysis has seen RAW conclude that the project should not proceed to the next phase. This included the view of the Board that it was unethical for RAW to continue to proceed to use public money in this project. A resolution has been passed to “not proceed with the project”. We ask that you formally advise the remaining tenderers that the project will not proceed.

RAW is very conscious of the lessons learnt through the intense efforts used in this process and will prepare a report outlining what has been learnt. We are confident that this will add value other community-based energy groups across Australia. We are mindful of the partnerships that have been created in this project and to ensure these relationships continue to be nurtured, we are discussing possible alternatives.

We reiterate our appreciation of the effort and investment that you and other staff of the City of Wodonga have made to support the volunteer members of RAW in this project. We look forward to continuing to work to develop practical outcomes that increase the renewable energy for the community in Wodonga.

Yours sincerely,



Bobbi McKibbin

President, RAW

Appendix Two: Analysis of Positives and negatives of continuing with the project.

The following table reflects the discussion held by the members of the Board as they considered whether to continue with the CCIG project.

Continue CCIG	Handback CCIG
Pros +	Pros+
<ul style="list-style-type: none"> • Alternative models we could use • Delivery of “what we signed up to” 	<ul style="list-style-type: none"> • This is not a reputational risk to RAW • Good learnings can lead to a good report on a process to share (failure is OK!) to lead to increased status.
<ul style="list-style-type: none"> • Relationships not damaged 	<ul style="list-style-type: none"> • More flexible now we are incorporated so we can run the process.
	<ul style="list-style-type: none"> • We can’t meet the timetable (as prospectus)
	<ul style="list-style-type: none"> • Not ethical to continue CCIG
	<ul style="list-style-type: none"> • Not “forced” by locked in projects
	<ul style="list-style-type: none"> • We can be AGILE!
Cons -	Cons-
<ul style="list-style-type: none"> • Burnout. NO FUN! 	<ul style="list-style-type: none"> • DELWP relationship – potential for future grants?
<ul style="list-style-type: none"> • Further deadline risk 	<ul style="list-style-type: none"> • Reputational relationship risk with Council because we hand money back.
<ul style="list-style-type: none"> • Prospectus overkill 	
<ul style="list-style-type: none"> • Loose community dollars 	
<ul style="list-style-type: none"> • Council process 	
<ul style="list-style-type: none"> • Timeline risk as a prospectus 	
<ul style="list-style-type: none"> • Renegotiation with DELWP no guarantees 	
<ul style="list-style-type: none"> • Don’t have a relevant project 	
<ul style="list-style-type: none"> • Need to go back to businesses and find out what stage they are at 	
<ul style="list-style-type: none"> • Too Hard! 	