

Senate Economic References Committee Public Hearing on Residential Electrification

Supplementary submission

This supplementary submission from the Owners Corporation Network of Australia (OCN) is an adjunct to the Hansard record to provide clarification on some of the questions raised and answers provided. It does not change the Hansard record.

In opening comments to the public hearing, OCN made the case for strata to be considered a special category, based on 3 key points:

1. One size does not fit all - strata is not just large buildings;
2. Electrification is technically challenging and requires significant government support; and
3. The need for a Level playing field for all homeowners, which includes apartment homeowners and investors, with owners corporations as a special case.

The owners corporation or body corporate is a statutory corporation, responsible for the management of the strata scheme, with unlimited liability and mandatory obligations to manage finances, hold building insurance and strict obligations to carry out repairs and maintenance.

The need for funding is different depending on when the client is an owner or an owners corporation.

- Owners are closer to standalone homeowners and are responsible for replacement of appliances eg cook tops, heat pump air conditioners. They pay tax and investor owners can take advantage of tax relief and accelerated depreciation.
- Owners Corporations are responsible for the building and associated infrastructure. Apartment living requires approvals by the owners corporations, often complex technical solutions and significant expenditure for building infrastructure. The quantum of such expenditure for solar, batteries, gas replacement is significantly higher than standalone homes, as the NECA response demonstrates. Most owners corporations do not make a profit or pay tax, so tax relief provides no incentive.

Preferred funding models

Preference 1 Grants

Owners: Grants of owners have a similar impact as for standalone homeowners, so not a special case.

Owners Corporations: Grants have proved successful in providing an effective way forward for sustainability infrastructure upgrades in residential strata buildings, for example, the \$10m NSW Grant program for feasibility and investment in electric vehicle charging infrastructure was fully subscribed in just 2 months.

For the special needs of owners corporations, grants are the preferred option. They are simple to manage and proved to be simplest way to navigate the complex owners corporation approval processes. Owners corporations and strata committees can clearly identify a grant and use it to support arguments to install sustainability equipment in common property.

Government can establish conditions of grants to target the specific needs of large and small buildings, technical complexity and cost borne by apartment owners, so are a good way to ensure a level playing field compared with standalone homeowners.

Preference 2 Rebates

Owners: Rebates have proved effective with the high uptake of solar in Australia, but less effective in take up in apartment buildings to date, evidenced by the just 0.6% take up, mainly because the roof space is common property, owned by the owners corporation, and not normally accessible by owners.

Owners Corporations: Similar to grants, moving into full electrification across the wide range of apartment buildings, rebates could potentially be more overtly included into proposals, making such a proposal more palatable and an easier 'sale' from the owners corporation/ strata committee to the respective owners for approval.

To positively incentivise owners corporations, rebates would need to be targeted and substantial. The recent solar rebate scheme being implemented in Victoria, which provides a rebate of \$2,800 per apartment, is proving positive and generating a lot of interest. We are working with a provider and OCN supporter, Allume Energy, to generate more interest via a webinar on March 19.

Preference 3 – No/Low interest loans

Owners: Low/ no interest loans have some attraction to individual apartment owners and owner investors buying appliances, like standalone homeowners.

Owners Corporations: As a general comment, particularly in older generation Australians who dominate owners corporation strata committees, there is very high resistance to going into debt. There is also a requirement that all owners must agree to enter a loan agreement for the owners corporation to purchase common property infrastructure. Irrespective of no or low interest loans, the question of a loan in the first place for owners corporations is problematic.

This is especially true for smaller schemes, who form the vast majority and need a significant push to electrify in the first place, and where there is high competition for scarce funds. No/low interest loans are unlikely to provide any incentive unless there is a clearly defined short-term payback from the proposed investment.

Larger schemes are different. The scale and complexity, and therefore cost, of electrification is far higher. In this case, no/low interest loans will provide an incentive, particularly when there are direct, short-term paybacks identified.

Preference 4 – Tax incentives

Owners: Investor owners represent about 47% of apartment owners. Tax incentives and accelerated depreciation will be attractive to these investors for direct purchases of appliances. Incentives for investors could be directly linked to sustainability improvements for tenants by legislating for minimum energy rental standards, as has been introduced in the ACT.

Owners Corporation: No incentive.

Alternative Funding Model for owners corporations

The above 4 options are effectively cash based quick start options, which largely ignore the intrinsic value created by moving to renewables and energy saving appliances. OCN sees the need for a model which unlocks that intrinsic value, a 'new' specialist category of supplier, which we refer to as local energy service (LES) providers.

LES providers are like some embedded network operators, but with a change of name as embedded network operator name has been the subject of many Inquiries and tainted by profiteering and questionable contract practices. LES was suggested as a new category of energy licence by an expert group advising the Victorian embedded network review.

As LES provider would:

- Operate directly with the owners corporation, not a developer, such that benefits and incentives flow directly to the owners corporation;
- Provide technical direction and advice to suit specific owners corporation needs;
- Assist with funding decisions and capital cost, including the benefits of any of the above funding models, paid back over time via fair and reasonable energy tariffs.
- Provide and install sustainable infrastructure and products;

Use of batteries

Electrification of existing apartment buildings, particularly those which currently use gas for cooking, heating and/or water heating, will almost always require augmentation of the power supply to the building to provide the additional energy required to support electrification of these appliances.

Traditional augmentation via network upgrades is very expensive and creates additional upstream load across the network and transmission. Behind the meter battery augmentation can potentially alleviate this additional load at a lower cost, be funded by foregone network costs and benefit both the owners corporation and the network operators.

Behind the meter batteries can be charged via cheap off-peak electricity or by solar or both, then discharge during peak loads, reducing network peak load.

General Complexity

General complexity of electrification is beyond the technical capability of most strata schemes. Owners corporations really need a simple road map to help guide them down the journey. One example is the NSW making residential buildings EV ready website, which OCN authored.

OCN Recommends such a road map be developed for full electrification and, with appropriate funding, stands ready to assist in its development.

Such a road map should include:

- surveys to obtain data on the quantum of the issues faced;
- any necessary building power upgrades, including battery and solar options;
- the replacement of gas as an energy source;
- steps and methods for the installation of EV Charging, solar panels, storage batteries, heat pumps, electric/ induction cook tops and AC upgrades;
- explore the potential for EV bidirectional charging as an energy source;
- case studies of the above.

Owners Corporation Network of Australia Limited
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