

Attachment:

RET Exposure Draft Legislation Design Elements

In 2001, the government introduced the Mandatory Renewable Energy Target (MRET) scheme aimed at increasing the take-up of renewable energy in Australia's electricity supply. The MRET scheme encompassed an annual target for renewable energy generation increasing incrementally to 9,500 GWh in 2010 and then remaining at that level until 2020.

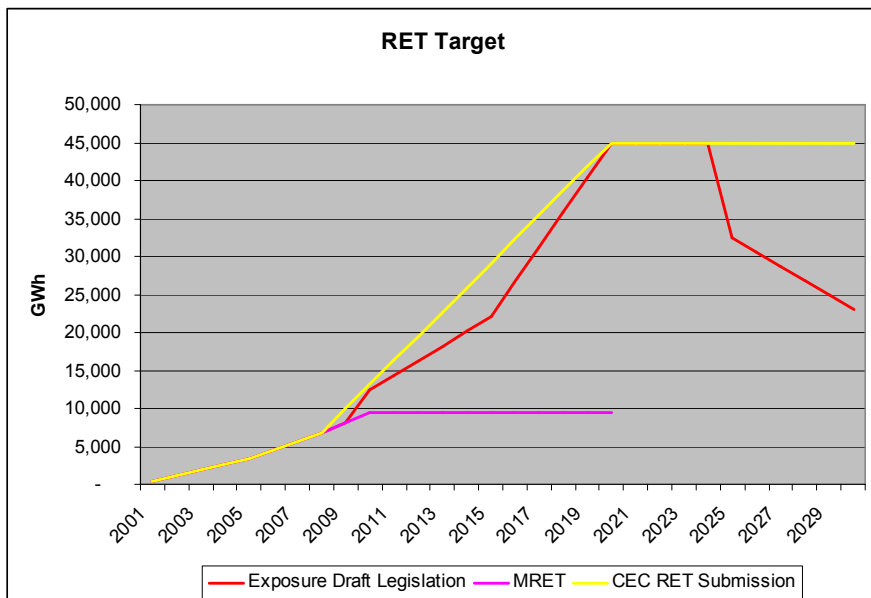
The MRET has been successful in delivering a mix of many new projects from a range of different technologies, as well as providing incentives for significant improvements and enhancements to existing renewable energy projects. However, industry has proved that the measure was too small and the required generation was built well before the expiration of the measure.

In 2007 the government committed to ensuring that 20 per cent of Australia's electricity supply would come from renewable energy sources by 2020 by establishing the expanded national Renewable Energy Target (RET) scheme.

a) *Trajectory*

The government is proposing a dual linear ramp-up of annual targets from 2010 rising to 45,000 GWh in 2020 and maintaining that level until 2025 before phasing down to 23,000 GWh in 2030. The scheme is due to finish at the end of 2030. As highlighted in the main submission, the Council does not believe the proposed design will deliver the industry development that the legislation intended to bring.

The Council believes the dual linear trajectory in the initial years reduces the amount of generation required to meet the target, while not driving any incentive for investors to delay decisions on the timing of investments. A linear trajectory makes the target tougher and will drive more continuous investment.



Source: Clean Energy Council 2009

b) Eligible sources

The Council welcomes the continued inclusion of solar water heaters (SWH) and native forest wood waste in the list of eligible technologies to create RECs to the end of the expanded scheme. Continued support for SHW is essential for the continued development of this technology. Australia is a world leader in SWH and the continued eligibility of this technology under RET will help keep us at the forefront.

The recently completed *Bioenergy Roadmap* identified RET as a key policy for the development of the industry. Therefore the Council agrees with the continued inclusion of bioenergy in RET eligibility.

c) Banking / borrowing

The Council is pleased no changes were made to the banking and borrowing provisions of the existing MRET scheme. Particularly the provision for unlimited banking to be allowed for the life of the RET scheme without restriction.

The banking and borrowing provisions of the existing legislation have allowed developers flexibility in the timing of projects. It also greatly assisted in the creation of a forward price curve providing the investor certainty required to see projects completed.

d) Project eligibility period

The Council supports the decision not to change the project eligibility rules from the existing legislation. This will provide incentives for the continued maintenance and expansion of generators. Such work is essential for the continued learning by the industry as technologies mature.

e) Treatment of existing generators

The Council supports the decision to continue to support existing renewable energy generators for the life of the scheme. Existing generators have demonstrated that they are capable of improving their performance with the support of MRET. This improvement is an important component of the industry development that comes from measures such as the RET.

f) Penalty price

The draft legislation does not specify a penalty price but indicates it will be at a level sufficient to drive investment with no Consumer Price Index (CPI) or other escalator. The Council recommends the penalty price should be increased to a value that supports new projects. It should be escalated at CPI.

The current world economic situation has highlighted the risks faced by developers. It will be very difficult to predict the future of prices and costs. To reduce the risks of people choosing to pay the penalty rather than find RECs, it is recommended that the penalty price escalates with CPI.

g) Scheme review

The draft legislation proposes a review of the scheme to be conducted in 2015 though does not include any terms of reference for the review. The Council concurs with the inclusion of a scheme review in 2015 following the introduction of the Carbon Pollution Reduction Scheme (CPRS) and other complementary measures to consider any finessing of the measure. However it should have limited terms of reference to avoid further legislative uncertainty.

The review of the existing MRET caused uncertainty in the industry and investment stalled. Limiting the scope of the review and requiring the government to respond within a limited time will reduce uncertainty and assist the industry to keep investing.

h) Solar multiplier

The government is proposing to implement a multiplier for RECs created from small generation units. Predominantly this will be for solar PV installations, although micro-wind and micro-hydro are also eligible.

The Council understands that the current Solar Homes and Community Program (SHCP) grant (up to \$8,000 per 1kW system) is unsustainable and will not build a long-term industry. It means the industry is subject to the annual budget funding cycle which does not allow for

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long-term planning and investment. The level of the rebate and the conditions attached to it, including the current means test, have come and gone leaving the industry in boom-bust cycles. The Council has been arguing for the transition from the SHCP rebate to a nationally consistent gross metered feed-in tariff.

The RET draft legislation allows for the creation of multiple RECs for every MWh of deemed generation. The multiplier will decrease over time from five RECs for every MWh of deemed renewable energy, to one REC for every deemed MWh for new systems in accordance with defined timeframes.

The Council applauds the government's decision to broaden the application of the assistance to industrial and commercial sites as well as other technologies such as micro-wind and micro-hydro while arguing further modifications are required to build a truly sustainable industry.

However, the Council believes the proposed limit of 1.5kW is too small to support the full development of the industry. The Council proposes this be raised to 200kW. This will allow the industry to scale up and develop quickly.

The multiplier creates a number of additional RECs above those deemed from the energy produced. To maintain the credibility of the scheme and the design premise that one REC equals one MWh, the scheme target must be increased by the number of additional RECs created as a result of the multiplier.

A true long-term Photovoltaic (PV) industry is best supported by a properly designed gross metered feed-in tariff that takes into account all the benefits of the distributed, peak generation nature of PV generation. We encourage the government to use the period of the multiplier to work with the states and industry to develop and implement such a feed-in tariff arrangement.