

29 October 2010

Renewable Energy Target section  
Department of Climate Change and Energy Efficiency  
GPO Box 854  
CANBERRA ACT 2601

By email: [RET@climatechange.gov.au](mailto:RET@climatechange.gov.au)

Dear Renewable Energy Target team,

The Clean Energy Council (CEC) welcomes the opportunity to comment on the Consultation on the Renewable Energy Target Regulations.

The CEC is the peak body representing Australia's clean energy and energy efficiency industries.

Its priorities are to:

- create the optimal conditions in Australia to stimulate investment in the development and deployment of world's best clean energy technologies;
- develop effective legislation and regulation to improve energy efficiency; and
- work to reduce costs and remove all other barriers to accessing clean energy.

The CEC works with members and the government to identify and address the barriers to efficient industry development in the energy efficiency and renewable energy sector.

The CEC supports and welcomes the enhanced RET legislation. It is paramount that this legislation and these regulations ensure long term investment certainty to underpin investment in large and small scale renewable energy technology.

The CEC has some concerns with a number of aspects of the enhanced RET legislative amendments and these regulations which could unnecessarily risk undermining this certainty. These are explained in the attached submission.

If you would like to discuss any of this submission, please contact Nicole Nsair on 03 99294100.

Yours sincerely

*[Original Signed]*

Kane Thornton  
Director of Strategy



## Submission Template

### Draft Renewable Energy Target Regulations

#### Overview

This submission template should be used to provide comments on consultation drafts of the:

- Renewable Energy (Electricity) Amendment Regulations; and
- Renewable Energy (Electricity) Amendment (Transitional Provisions) Amendment Regulations

#### Contact Details

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<b>Date:</b>	29 October 2010

#### Confidentiality

All submissions will be treated as public documents, unless the author of the submission clearly indicates the contrary by marking all or part of the submission as 'confidential'. Public submissions may be published in full on the Department of Climate Change and Energy Efficiency website, including any personal information of authors and/or other third parties contained in the submission. If any part of the submission should be treated as confidential then please provide two versions of the submission, one with the confidential information removed for publication.

A request made under the *Freedom of Information Act 1982* for access to a submission marked confidential will be determined in accordance with that Act.

Do you want this submission to be treated as confidential?  Yes  No

#### Submission Instructions

Submissions should be made by **close of business Friday 29 October 2010**. The Department reserves the right not to consider late submissions.

Where possible, submissions should be lodged electronically, preferably in Microsoft Word or other text based formats, via the email address - [RET@climatechange.gov.au](mailto:RET@climatechange.gov.au).

Submissions may alternatively be sent to the postal address below to arrive by the due date.

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## Treatment of Solar Water Heaters in the RET

The solar water heater industry has a number of concerns regarding the revision of the Australian Standard AS/NZS 4234. However there is no consensus view on this matter and individual companies will be making their own submissions on this issue.

## Rules concerning the future treatment of the Solar Credits multiplier

The CEC has a number of concerns with respect to the future treatment of the Solar Credits multiplier.

The use of total out-of-pocket expense as a trigger for reduction of Solar Credits is administratively complex and may have a number of limitations. The CEC has the following specific comments:

- The total out-of-pocket expense will trigger the reduction of the Solar Credits multiplier by one if there is a quarter of the year where 10 percent of systems were installed for less than \$1,000 out-of-pocket expense per kW of capacity. It is unclear if this figure is inclusive or exclusive of GST. Additionally, what form does the Regulator want the information for the out-of-pocket expense calculation to be provided.
- The CEC is concerned that use of the out-of-pocket expense as a trigger would ultimately impact consumers disproportionately in different Zones. If, as an example, the 10 percent threshold is exceeded by virtue of sales exclusively in Zone 1 and a reduction in the multiplier is enacted, the impact on all other consumers who may not have had access to sub \$1000 systems in the first place will be significant. Therefore if the multiplier was reduced from 5 to 4, sooner than the industry expected, a consumer in Zone 1 would pay \$1160 more, and a customer in Zone 3 or 4 would pay \$1864 more. This does not appear to be an equitable outcome. Further, it is difficult to monitor or predict the impact of these follow-on effects so the significance of the increase in price may have a greater impact than originally intended.
- Additionally, there is no clear concise explanation on how systems sold as a bundled amount will be able to identify the out-of-pocket expense for small generation units. For example, it will be difficult to determine the true expense of a system installed on a house by a developer and then sold as part of the total house sale. Another difficult example would arise when the system is financed and payments are made to a third party.

Regulations 20AD note the determination to reduce the multiplier are to be made within 28 days of the end of a quarter. However it states that the date it takes effect is 'expected to be 30 days after it is made'. The CEC believes this time period will cause significant issues to businesses who have sold and contracted systems under a higher Solar Credit multiplier and have not yet installed these systems. The CEC believes the regulations must consider this issue and provide some mechanism to avoid any unintended consequences on solar retail businesses.

Reductions in the multiplier will also affect fixed forward contracts as larger sales volumes are required to meet STC contractual obligations. The Regulator needs to provide some mechanism to ensure that contracts have a guaranteed price and number of RECs.

## Partial exemptions for emissions-intensive trade-exposed (EITE) activities

No comments.

## Small Generation Unit (SGU) inspection regime

The CEC is encouraged that the inspection regime has been clearly stated in the Regulations. This is another important step to ensuring the integrity and credibility of the industry. It is important that the reporting requirements for inspectors are more specific and clearly define the information required to be collected, along with articulation of the clear objectives of the inspections.

The following suggestions are in regards to the scope of work of inspections:

- Each inspection should take a photograph of at least one PV module label as part of the scope of work to verify that approved modules have been used.
- The inspectors need to ensure that the client has received all the documentation required, including a performance estimate and the PV module datasheet.
- The CEC suggests the following wording amendments to the Draft Renewable Energy Target Regulations:
  - Clause 30, part 1b, *add*: "AND the Clean Energy Council's Grid Connect Install and Supervise Guidelines."
  - Clause 33, part 2b, *add*: "OR is accompanied by an unrestricted licensed electrical worker."
  - Clause 33, part 2, *add* "part (e): AND holds CEC accreditation for the type of system that is being inspected."
  - Clause 40, *add* "part 5: AND the inspector must comply with any state OH&S requirements for working at heights and hold a current accreditation for working at heights when inspecting roof mounted systems; and as a minimum, two people are required if access to the roof is via a ladder."

The CEC agrees that it is important that the inspection of the correct polarity of the wiring on DC breakers is carried out as outlined in these draft Regulations.

The CEC requests that clarity is made to ensure "installer" refers to an individual accredited installer

## Clearing House for small-scale technology certificates

Installers and owners of small-scale technology will be negatively impacted should STCs remain in the clearing house for a period longer than 3 months. This could negatively impact the demand for small scale technology and negatively impact the cash flow of businesses operating in this market.

It is critical that ORER considers this risk and its implications when determining the STP and therefore ensures that the quarterly obligation on liable parties is, as much as possible, sufficient to clear the clearing house on a quarterly basis. If the policy environment changes and there are more RECs in the clearing house than needed to meet quarterly obligations it will have implications for the cash-flow of businesses and introduce further uncertainty into the market. The CEC recommend ORER consider alternate arrangements in the case that the clearing house is not cleared regularly and there becomes a significant backlog and therefore delay in consumers and businesses being paid for SRECS.

### Purchase of certificates through the clearing house

The draft regulations provide a framework for the Regulator to manage the transfer of STCs in and out of the clearing house, including implementing the first-in, first-out rule for transferring STCs. Regulation 20I would allow the Regulator to determine the order in which STCs (if there is more than one) from an application is placed on the clearing house transfer list. In operating the clearing house, the CEC recommends:

- That as there are always more than one STC created from an installation, they are bundled as a PV Deemed code which links to one unit installation.
- That the STCs be shown on a live website similar to the Stock Exchange Market where proponents can “watch” the activity of the clearing house.
- That the clearing house be open 24 hours and 365 days a year for operation.

Under Section 30LA of the Act, the Minister can reduce the price of the STC with due consideration to 6 million STCs . The CEC believes that this could create uncertainty in the market and does not support this approach. The CEC is concerned with the potential impact on the small-scale technologies industry if there are changes made to the \$40 STC price.

Also, it is unclear how a change in the STC value by the Minister will impact STC’s already in clearing house.

## **Other amendments to implement the enhanced RET (SRES/LRET)**

The legislation and regulations allow the government and the regulator to make changes to the support provided by the SRES. These are predominately focussed on and most likely to be triggered by activity in the solar PV market. The SRES market also includes other technologies including solar hot water, heat pumps and small-scale wind. Any changes to the support under the SRES will have an impact on the whole of the SRES market. Decisions to make any changes to elements of the SRES market need to consider their impact on the whole of the market.

The legislation in Section 40 (1A) that was amended as part of the excess surplus above 34,500,000 RECs to be divided in half and then added to the LREC target obligations in 2012 and 2013 does not appear to deliver the intent of the legislative amendment to effectively cap the surplus RECs at 20,000,000.

The CEC also believes that the SRES targets for 2011 should be published as soon as possible in order to give the industry as much certainty as possible.

## **Any additional comments**

No further comments.