

**Senate Standing Committee on Environment and Communications**  
**Legislation Committee**  
Answers to questions on notice  
**Environment portfolio**

**Question No:** 113  
**Hearing:** Budget Estimates  
**Outcome:** Agency  
**Programme:** Clean Energy Regulator  
**Topic:** SMALL-SCALE CERTIFICATES  
**Hansard Page:** N/A  
**Question Date:** 02 June 2014  
**Question Type:** Written

**Senator Back asked:**

Will you please provide a brief description of the Small-scale certificate issue, validation and surrender process?

**Answer:**

The Small-scale Renewable Energy Scheme (SRES) creates a financial incentive for owners of eligible small-scale installations (such as solar water heaters, heat pumps, solar panel systems, small-scale wind systems or small-scale hydro systems) through the creation of Small-scale Technology Certificates (STCs).

Small-scale systems are often referred to as 'deemed' units because they generate or displace only a small amount of electricity each year (relative to a large power station) and it is not practicable to meter this amount of electricity and award certificates each year. Instead certificates are awarded by the Clean Energy Regulator (CER) for a number of forward years (the deeming period) closer to the time a system is installed.

Owners of eligible systems (or registered agents) are entitled to create a number of STCs for each installation based on a Clean Energy Regulator methodology that estimates the amount of electricity that will be produced or displaced over the deeming period. This methodology takes into account both the capacity of the system and its location (which in turn defines the amount of solar radiation).

Eligibility requirements for the creation of STCs are set out in the *Renewable Energy (Electricity) Act 2000* (the Act) and the *Renewable Energy (Electricity) Regulations 2001* (the Regulations). Certificates are created via the Clean Energy Regulator's online Renewable Energy Certificate Registry (the REC Registry) by owners of eligible small scale system (or registered agents).

All STCs created by owners of eligible systems (or registered agents) are validated (in other words audited) by the Clean Energy Regulator. The Clean Energy Regulator takes a risk-based approach to validating STCs and conducts a range of pre-validation checks (for example checking serial numbers, sighting compliance paperwork, aerial photos, etc.) to ensure compliance with the Act and Regulations. Once an STC has been validated by the Clean Energy Regulator the owner must pay a creation fee (\$0.08 – \$0.47) to the Clean Energy Regulator before the certificate becomes 'registered' and can be sold or otherwise traded and ultimately surrendered by a Renewable Energy Target liable party.

Parties with an SRES liability contribute to the Renewable Energy Target by surrendering STCs each quarter in accordance with the legislation. The amount of this liability is determined by both the size of their electricity acquisitions and the small-scale technology percentage (STP) which is determined by the Clean Energy Regulator and set in the Regulations by the Minister each year in advance of the liability being incurred.

Liable parties may purchase certificates to surrender to the Clean Energy Regulator through the open certificate market or the STC Clearing House.

The certificates surrendered by parties with an SRES liability are examined by the Clean Energy Regulator to ensure the offer can be accepted. Once accepted by the Clean Energy Regulator the liable parties must pay a surrender fee (\$0.08 per certificate) to finalise the acquittal of their SRES liability. Surrender fees are invoiced and paid through the online REC Registry.