

**Senate Standing Committee on Environment and Communications  
Legislation Committee**

**Additional Estimates 2010-2011, February 2011**

**Answers to questions on notice**

**Climate Change and Energy Efficiency portfolio**

<b>Outcome:</b>	1	<b>Question No:</b>	66
<b>Program:</b>	1.1		
<b>Division/Agency:</b>	ORER		
<b>Topic:</b>	RECs		
<b>Hansard Page EC:</b>	Written		

**Senator Birmingham asked:**

1. How many Renewable Energy Certificates (RECs) expressed both as a number and a percentage, and to what total value expressed both as a dollar amount and a percentage, have been invalidated in financial year 2010/11 to date?
2. On what grounds were they invalidated?
3. How many companies have been involved and what action has been taken against them?
4. What regulatory or inspection measures have been taken by the ORER regarding invalid RECs?
5. What data does the ORER have on any compliance problems it has uncovered or identified? What steps are being taken to ensure greater compliance?
6. Has any rectification work been required to be undertaken?

**Answer:**

1. In the 2010-11 financial year to 31 December 2010, a total of 20,888,020 Renewable Energy Certificates (RECs) were created and 659,987 RECs (3.16 per cent) were invalidated. The Office of the Renewable Energy Regulator (ORER) is not in a position to provide a response to the dollar value of invalidated RECs as the price of RECs is determined by the sellers and the buyers in the REC market. The ORER has no role in regard to determining or monitoring the REC price.

From 1 January 2011, the Renewable Energy Target (RET) has been split into the Large-scale Renewable Energy Target (LRET) and the Small-scale Renewable Energy Scheme (SRES). There are two new kinds of certificates – Large-scale Generation Certificates (LGCs) for renewable energy power stations and Small-scale Technology Certificates (STCs) for solar water heaters and small sized photovoltaic, wind and hydro systems.

From 1 January 2011 to date (18 March 2011):

- a total of 4,222,690 LGCs were created and 152,156 (3.6 per cent) were invalidated. The ORER is not in a position to provide a response in relation to the dollar value of invalidated LGCs as price is determined by the sellers and the buyers in the market and the ORER has no role in regard to determining or monitoring the LGC price; and
  - a total of 7,949,291 STCs were created and 450,178 (5.66 per cent) were invalidated. The STC Clearing House facilitates the exchange of STCs between buyers and sellers at the fixed price of \$40 (excluding GST) and is accessible via the REC Registry. The ORER does not set the price of STCs that are not traded through the STC Clearing House. Assuming the 450,178 STCs were traded in the clearing house the dollar value of invalid STCs would be \$18,007,120.
2. RECs, LGCs and STCs are invalidated by the ORER if the created certificates do not meet the eligibility criteria under the legislation. Certificates are also invalidated due to data entry errors by certificate creators. The eligible party that creates the certificate is required to provide supporting information and documents to the ORER to demonstrate that the systems meet the legislative criteria. In cases where the eligible party does not provide the ORER with required information in time the certificates can be failed by the ORER. In most cases the eligible party can recreate these certificates. Some of the common reasons for the ORER to invalidate certificates are:
- a higher number of certificates created due to the use of wrong units, for example using kiloWatt hours rather than megaWatt hours;
  - STCs created more than once for the same solar water heater or solar photovoltaic system;
  - supporting information or data not provided; and
  - certificates created for ineligible systems.
3. Certificates are not only created by companies but by householders and also by agents acting on behalf of householders. There are 212 companies and individuals that had one or more STC created that was invalidated. There are also 141 companies that had one or more LGC created that was invalidated.

The ORER has carried out a number of compliance activities in 2010-11. The summary of these activities is below:

<b>Description of Activity</b>	<b>Number of Activities</b>
Site visits	122
Pre-validation checks	7,817
Outreach visits	19
Warrants executed	5
Compliance visits	45
Enforceable undertakings	5

4. The ORER has carried out site and outreach visits along with measures such as compliance visits and executing warrants in relation to instances of invalid certificate creation.

The ORER also provided information to participants to help to improve their understanding of the eligibility, which in turn will help to reduce the number of invalid RECs.

5. Participants of the LRET and SRES must comply with the *Renewable Energy (Electricity) Act 2000* (the Act), *Renewable Energy (Electricity) Charge Act 2000* and *Renewable Energy (Electricity) Regulations 2001* for the creation of LGCs and STCs, reporting and other requirements.

As of 29 June 2010, new enforcement remedies are available to the Renewable Energy Regulator (the Regulator) under the Act. These include civil penalty orders, enforceable undertakings and injunctions. The new provisions apply in respect of contraventions of the Act by individuals, companies, executive officers of companies and other persons involved in contraventions of the Act.

The ORER has developed a number of education and information sheets and made them available on the ORER website. The ORER has also conducted workshops to help participants to improve their understanding of the eligibility, which in turn will help to reduce the number of invalid RECs. In case there is a deliberate attempt to gain financial benefit through certificates the ORER uses its enforcement powers to impose penalties and take punitive actions. The ORER has carried out a number of compliance activities in 2010-11. The summary of these activities to date is below:

<b>Description of Activity</b>	<b>Number of Activities</b>
Site visits	122
Pre-validation checks	7,817
Outreach visits	19
Warrants executed	5
Compliance visits	45
Enforceable undertakings	5

6. There are cases where an eligible party created certificates that it should not have created. When the ORER compliance and monitoring activities identify any such cases where wrong information was provided to the ORER to create certificates, appropriate action is taken against such individuals and companies. For example, under section 154Q of the Act, the Regulator may accept a written undertaking from a person to do or refrain from doing certain things, including the surrender of certificates that the person was not entitled to create. The Regulator has to date accepted undertakings from five companies.

Under Section 154Q(5) of the Act, the Regulator must publish the undertaking on its website. In accordance with this provision the undertakings from the following companies are listed on the ORER website:

- Solarpowerrex Pty Ltd – 24 February 2011;

- Renewable Energy Traders Pty Ltd – 24 February 2011;
- Nicholls Air Pty Ltd Trading as Nicholls Solar – 18 February 2011;
- Greenbank Environmental Pty Ltd – 12 January 2011; and
- JRA Group Pty Ltd – 10 December 2010.