Local Power
PV Solar Buying group

To:
Committee Secretary
Senate Standing Committee on Environment, Communications and the Arts
Department of the Senate
Parliament House
Canberra

RE:
Inquiry into the Renewable Energy (Electricity) Amendment (Feed-in-Tariff) Bill 2008

Thank you for the opportunity to provide feedback to your committee's deliberations into a national Feed-in Tariff (FiT).

Background
Local Power is a not for profit community group that has just completed a PV bulk buy for almost 140 households and a community building, installing close to 200kW.

All but a handful of our members were eligible for the former non-means tested PVRP rebate and had submitted their applications to DEWHA before the means test took effect on budget night 2008. Of the remainder, two were below the means test, one was above the means test and went ahead anyway, while one was above the means test and had to drop out.

Together with Energy Efficiency measures, Solar Hotwater, emerging Solar Thermal and Geothermal and proven Wind, we believe PV Solar will play a small but growing role in the portfolio of strategies to greatly reduce the carbon emissions of Australians as well as add value to the electricity grid.

We are finding that people want to play their part and take action. They are investing in their homes, where they have the most control over their emissions, and are implementing Energy Efficiency measures as well as installing Solar Hotwater and PV Solar.

Feed in Tariff (FiT) support will be temporary
We welcome any government support of the Solar and renewable industry (upfront rebates, FiT, MRET, CPRS, bulk buys etc.) and consider support for PV as an environment and industry development policy rather than a social welfare policy. The goal of course is for that support to be finite in duration and to get renewable energy, particularly Solar PV, to "grid parity" pricing where no further support will be required. By grid parity we mean pricing at the prevailing retail pricing of fossil fuel based electricity obtained from the grid.

Two of the leading global solar companies, China based Suntech[1] and US based Sunpower[2], recently gave testimony at the "Save Our Solar (Solar Rebate Protection) Bill 2008 [No. 2]" Senate inquiry. They have separately publicly stated they expect PV system prices to drop 50% by 2012. Around this timeframe PV Solar will achieve grid parity assuming these companies can reach their cost reduction targets.

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[1] "Suntech is effectively forecasting roughly a 50 per cent reduction in the cost of producing a system." and "between 2012 and 2015, depending upon take-up, Suntech Power forecasts that solar PV will achieve grid parity, which means that a consumer who chooses to take up a solar PV system will be paying effectively with their investment in their installation cost basically the same price that electricity will cost off the grid." From p19 of http://www.aph.gov.au/hansard/senate/commttee/S11165.pdf

[2] "Installed Cost Reduction Roadmap Plan: 50% by 2012" From p12 of http://www.jefferies.com/pdfs/confs/060508/SunPowerCorporation.pdf

PV pricing declines have followed a well established manufacturing experience curve for 30 years, dropping approximately 20% every time the cumulative volume has doubled[3]. This gives some reassurance that subsidies will indeed be temporary.

However in recent years due to a combination of rapid growth in PV take up, and a limited supplied of pure silicon, this price decrease has slowed. Significant investment in silicon refining will quadruple capacity and should produce more than enough Silicon for PV production by 2012[4]

Gross FiT compared to import-export (or net) FiT
Several state governments have implemented or proposed an import-export (or net) FiT in the last year including SA, Qld and Vic. The ACT should be commended for their leadership in announcing a gross metering FiT, which has been shown to be a very successful way in Germany, Spain and other countries to increase the volume of Solar PV to help get to "grid parity".

While we welcome the import-export FiT as being an improvement over no FiT, we believe there are **12 reasons** holding back an import-export FiT from becoming a great scheme for all households who will purchase a PV system. Instead we believe a gross FiT is the appropriate model for a strong national approach to FiT.

Please refer to the attached document "12 reasons" we put to the Qld government in March 2008. We have also attached a **spreadsheet model** comparing gross and import-export FiT, with and without PVRP/SHCP rebates, and also calculating system "simple payback" times.

We believe that a gross FiT, guaranteed for 20 years, provides economic certainty for households and business to invest now in PV Solar. As the prices of PV systems drop, the level of support can decrease the premium over the retail price of electricity until "grid parity" is obtained. If the FiT is not indexed to the rising price of electricity, this decrease in premium will already happen in real dollar terms.

We disagree with "Only generators installed after the commencement of the scheme and which forgo participation in the mandatory renewable energy scheme can be a 'qualifying generator'." We believe that the **FiT should be available to all PV generators no matter when they were installed** because it's not appropriate to penalise the early adopters of PV who have paid historically higher prices for their systems than current or future installations. In addition, although the import-export FiT is less than ideal, it is better than nothing, and the people who are currently or will soon be on state based FiT schemes, would be much worse off if they could not transition to the federal scheme and the state schemes ceased to exist.

Please do not hesitate to contact us if we can provide clarification for any of the points raised.

Regards,
Russ Holmes and Rob Farago

Local Power
07 3009 0615
c/- PO Box 3501
South Brisbane BC Q. 4101
info@localpower.net.au
http://localpower.net.au

[3] After 39 minutes into this video presentation from the CTO of Sunpower
http://www.parc.xerox.com/cms/get_article.php?id=543
[4] http://www.greentechmedia.com/articles/oversupply-of-silicon-worse-than-expected-947.html