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Senate Standing Committee on Environment, Communications and the Arts
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Inquiry into the Renewable Energy (Electricity) Amendment (Feed-in-Tariff) Bill 2008

Summary

Certainty for the future of the renewable energy industry is required across the nation. This can firstly ensure a healthy growing renewable industry with appropriate safe working and application standards, and secondly to help Australia as a nation meet the renewable energy targets it has set as part of its carbon reduction scheme. A gross feed-in-tariff can offer this if appropriately structured.

In general we support the concept of a gross feed-in-tariff that will encourage the following:

- Increased uptake of renewable energy systems at all scales;
- Ensure the requirement of minimum standards to ensure safe and reliable installation and operation;
- Ways to ensure an ongoing reliability in the operation of systems; and
- Pathways to a distributed energy network which can then better cater for other new distributed energy options such as fuel cells and batteries.

Rebate Schemes

It is clear from the previous Photovoltaic Rebate Programme (PVRP) / Solar Homes and Communities Programme (SHCP) that there are many people in Australia willing to commit their own money to assist and work towards the goal of renewable energy generation. It is also clear from the path that this programme has had, that it has not offered the level of certainty in planning that is required to make the significant breakthroughs in both market and supply chains required to step change the affordability of photovoltaics as an energy source. The rebate programme has been successful in building market capability, but clearly the programme cannot endure as a financially practical measure to meet its original objectives. The existing SHCP that is now in the position of providing an \$8000 rebate for a household such that they only need to fund \$185 to purchase a solar system (based on the Queensland Solar Homes Scheme) has demonstrated that this scheme is inappropriate. However the removal of this programme with no contingency plan will ensure the failure of the renewable energy photovoltaic industry. The concept of a gross Feed-in-Tariff offers ongoing industry support in a more cost effective manner and is widely supported across the industry as being the most practical way forward.

Feed-In-Tariffs

Commitment to a long term programme such as a Feed-in-tariff is needed that ensures stability for both the supply chain and the market. The setting of rates and reasonable targets will ensure an optimal programme to work with other programmes such as the Mandatory Renewable Energy Target and the Carbon Pollution Reduction Scheme as well as the many state based scheme.

Net feed-in-tariffs as adopted in Queensland and South Australia are not appropriate and effective in increasing the renewable energy market, actually giving rise to further issues on the network increasing peak evening demand in the desire to maximise returns during the day from the buyback rate. These tariffs are also not considerate of new technologies such as storage which have the added benefit in the future of not only assisting the site to which they are connected but also the potential to assist networks with real peak demand reduction. These net feed-in-tariffs do offer very limited drive to increase the uptake of photovoltaic systems however lead to significant uncertainty in return on investment for the purchaser. They also do to some small extent drive energy efficiency which is a very significant issue that also needs consideration to a far greater level than has been looked at to date and should be separately considered.

Feed-in-tariffs do not cover the upfront cost for renewable energy systems as rebates, and as such this in itself can be used to ensure that investors look to lowest cost options of reducing their own energy loads prior to investing in RE systems to acquire the feed-in-tariff. It is also possible that the new Federal \$300 million subsidised low interest Green Loans can be used as a way to ensure a smooth transition between the rebate programme and the feed-in-tariff.

We consider that a National Gross Feed-in-tariff presents value in several ways:

- Short term - support for the PV industry that has grown significantly due to the PVRP/SHCP;
- Mid term - ensures that the values and learnings from the Solar Cities programme can be deployed across Australia;
- Long term - add to the value that distributed storage / smart grids / smart utilities and potential zero emission homes can offer to the country

Any feed-in-tariff should also realise the value of renewable energies and their time of generation - for example commercial buildings that can produce part or all of their own day time loads may be of high value to the supply authorities where this is a peak demand time. The limits to the programme should not be based on size and ownership type, although this may influence different levels or rates within the scheme. The overall targets for the scheme should be clearly laid out from commencement and be realistic considerate of the total renewable energy goals that the nation is aiming to achieve - 20% by 2020. As noted previously, it is clear that the citizens of Australia want to play their role and through effective partnering measures this can happen.

One area of the bill that is of concern is the plan for no retrospectivity (4 Object item (c)). The existing programmes have inherently limited the size of systems and there is desire from a considerable number of people who have invested in rooftop photovoltaic systems to increase the size of their systems. The cutting out of these systems will result in the potential for difficult arrangements where extensions are desired and would make the programme difficult to administer, meter and

maintain. This will also penalise those that have invested early and many who have paid the high costs of early grid connected systems.

Projections such as by M. Watt (APVA paper at ATRAA 2008) have shown that with support, there is the possibility that the cost of photovoltaics may be comparable to grid electricity prices by 2016. This does not necessarily rely wholly on the cost of photovoltaics decreasing but also on the clear fact that the cost to generate, and, more importantly supply ever increasing electrical loads is rapidly increasing. The Queensland government announced recently that it pays an average \$1,000 per customer per year to subsidise the cost of electricity throughout the state. These pressures imply that the value for electricity is not truly reflected and therefore the life cycle numbers that are currently being used do not correctly reflect the ongoing return on investment and do not correctly influence the marketplace.

It is clear that the long term objective of an industry that does not require government or external support is possible, but like many industries requires the appropriate measures to ensure this is possible. The proposed amendments to the Bill offer a good methodology for that ongoing support.

This submission has been written by Michelle Guelden, Ken Ash and Glenn Walden as employees working in the area of Sustainability and the installation of renewable energy systems in both on and off grid applications for Ergon Energy's Corporate Sustainability and Innovation group.