



The Secretary  
Senate Economics Legislation Committee  
PO Box 6100  
Parliament House  
Canberra ACT 2600

EMAIL [economics.sen@aph.gov.au](mailto:economics.sen@aph.gov.au)

Dear Secretary,

**Re: Submission to the Inquiry into the Renewable Energy (Electricity) Amendment Bill 2009 and a related bill**

Green Energy Markets welcomes the opportunity to comment on the draft legislation for the expanded RET. This is an essential support mechanism for the development of the renewable energy industry in Australia and which will enable Australia to achieve its emissions reductions at lower cost in the long term, as has been demonstrated by various published modelling exercises.

The aim of the policy is to achieve a 20% share of the electricity market for renewable energy by 2020 and in doing so support the development of the industry. It is against these objectives that the design of the scheme should be judged.

**RET legislation must be passed**

We urge the committee members to seek the support of their Parliamentary colleagues to pass the legislation as soon as possible. Delays in finalising the legislation and scheme commencement are preventing new investment in renewable energy projects; and while the global credit crunch has also played a part in the slowdown, the development of renewable power generation projects have been unnecessarily interrupted by the delays. A clear indication is that only two major renewable power projects have been committed during the last twelve months.

**REC Multiplier**

The REC multiplier for solar PV systems (and other small generating units) is vital to support ongoing investment in small residential solar PV systems in the absence of rebates like the former SHCP for grid-connected systems and while no national scheme of robust gross feed-in tariffs is in place. However, due to the limitation on capacity eligible for the multiplier it will not encourage sufficient PV deployment and the desired economies of scale that will drive costs lower in the longer term.

The proposed capacity limit of 1.5kW should be raised to at least a level sufficient to cover the power need of a typical household. This would involve raising the capacity limit for eligibility for the REC multiplier to at least 10kW.

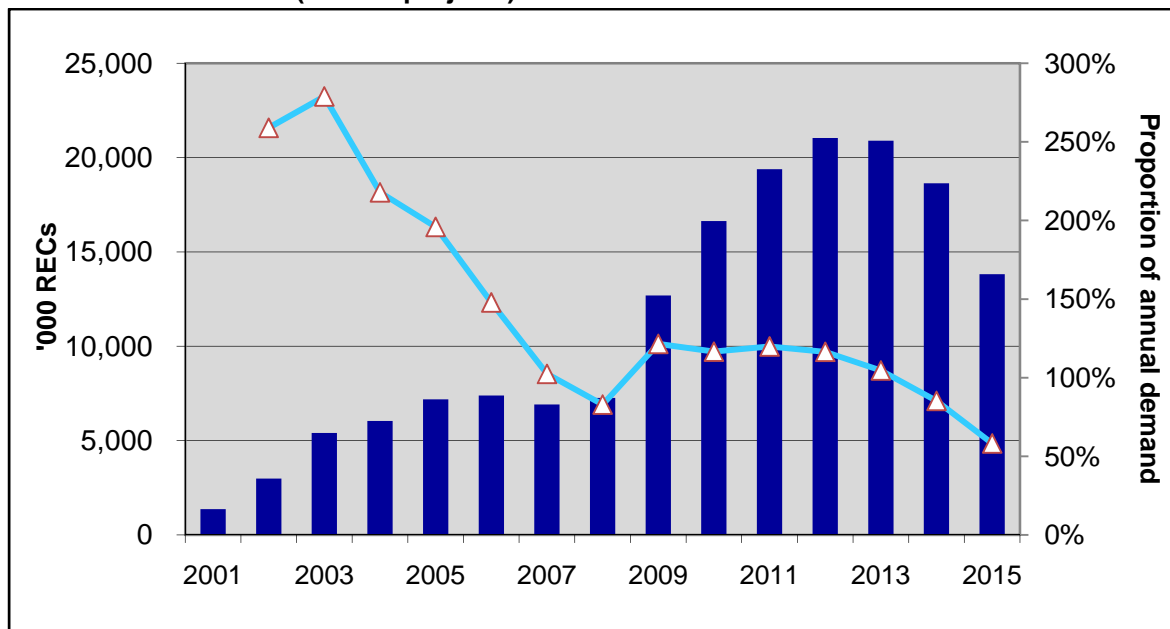
In addition, in the absence of any scheme to support the roll-out of commercial sized solar PV systems - where there is significant potential for industry development and achieving better economies of scale, there should be some provision to better support these much

larger systems of over 10kW. In this regard we support the Australian PV Association’s (APVA) proposal of making a separate category under the multiplier for larger systems, based on REC multipliers of 3 for deemed systems up to 100 kW. As noted in their submission, such a proposal would stimulate investment in the commercial building and farming sector. For further details, see the APVA’s submission.

**Adjusting the target trajectory for “phantom RECs”**

The second issue created by the REC multiplier for solar PV is the expected creation of a significant body of RECs that, while being used by liable parties to contribute to meeting the 45,000 GWh target, do not represent actual generation of a full megawatt hour – so called ‘phantom RECs’. This means that there will be an oversupply of RECs in the medium term which crowds out new renewable power generation investment. To ensure that this does not occur, the annual targets should be adjusted upwards in proportion to the level of generation free solar PV RECs which are being created. This amounts to an additional cumulative 10,000 GWh over the period to 2015.

**Level of Banked RECs (no new projects)**



The outlook for supply / demand of RECs over the next few years shows that there remains a large amount of RECs in the system to meet the Liable Parties’ surrender requirements until 2015.

Should you have any questions regarding the above discussion points, please feel free to contact me on 03 9811 6834.

Yours sincerely,

Ric Brazzale  
Director