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The Secretary
Senate Economics Legislation Committee
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Submission to the Economics Legislation Committee re the Renewable Energy (Electricity) Amendment Bill 2009.

On behalf of Solar System thank you for the opportunity to submit our comments to the Committee in regard to the Renewable Energy (Electricity) Amendment Bill 2009 (The Bill). As an Australian company leading in the solar energy field we are clearly very interested to ensure that the Bill will provide the necessary stimulation to establish both significant renewable energy generation in the Australian market as well as a strong Australian industry behind this.

While the objectives of the Bill, namely to establish the “20% in 2020” goal for Australia’s renewable energy level, is a strong and clear goal, our concerns lie in the appropriate structures to ensure that goal is met. The fundamental premise is to provide the incentive for the incremental growth of renewable capacity to meet the target where the market will select and dictate the most affordable solution for incremental capacity.

If Australia is to reach the 20% MRET goal and go beyond this it will require a range of technologies and capabilities mixed in the market. The Bill needs to provide support for new and emerging technologies which may be less competitive against the mature lowest-cost offering today but which offer longer term potential in the market. This point was made in the Stern Report¹ and expressed as “While markets will tend to deliver the least-cost short-term option, it is possible they may ignore technologies that could ultimately deliver huge cost savings in the long term”. “Policy should be aimed at bringing a portfolio of low-emission technology options to commercial viability.” A mechanism is required to ensure that support is given to the alternative and emerging technologies so that they can develop and achieve their ‘cost down’ drive with volume and so become a viable contributor to the overall renewable solutions mix.

¹ Stern Review: The Economics of Climate Change (2006). Section 16.4.

Like the Stern report, Solar System advocates the adoption of mechanisms that can provide differential benefits to emerging technologies over the established technologies so that we can see the evolution of a range of solutions. It is only with some differential support that alternative, emerging technologies will have the opportunity to develop their capability and capacity that is essential in order to achieve their best-value potential.

A variety of mechanism could be appropriate to provide this differential support, commonly called 'banding'. Many markets are now offering technology specific banded Feed-in-Tariffs targeted at the signal level required to stimulate that technology². Some jurisdictions are setting renewable portfolio standards with underlying goals for the mix and contribution of specific technologies, and providing differentiated programs, such as multipliers on RECs for designated technologies, to ensure these standards are met.

The reduction of commercial risk and the provision of economic predictability is a key objective to ensure success of the policy. Solar Systems proposes a mechanism to meet the objectives of the Bill through a concept of technology specific "Boosters". For instance a "Solar Booster" would provide additional value above both the market energy cost and the REC market value for energy produced by certified and contracted solar technology. A Booster would be a fixed, designated payment per Megawatt-hour provided as an 'after market' payment. The Government would have the control and ability to establish Boosters tailored to the specific needs of a new emerging technology according to the desires of the Government to incent and stimulate the development of that technology. Examples may include Geothermal, Wave or Biomass technology as well as Solar.

To ensure confidence and stability, technology Boosters could be set on a 5 year indicative horizon and might be guaranteed on a 2 year horizon providing a sufficient timeframe for projects to be established with an understanding of the economic environment they will operate in. Control of the Booster will also ensure the Government can manage the cost for the program. Since the Booster is above and beyond the REC price, should any given technology 'over deliver' the market cost of this will most likely be compensated by the increased supply of RECs at the same time.

The Government would retain control of the process for setting the level of Booster offered as a \$/MWh rate. The Booster could be paid by the market operator through the collection of a levy across the whole energy market.

The important aspect of the Booster is that it is an increment on the market green-energy price. The total value of the energy produced by the new emerging technology facility will be the market traded energy price, plus the value of the REC plus the set Booster price.

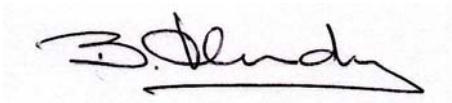
² The most recent review is available in the "California Feed-in Tariff Design and Policy Options" Final Consultants Report – May 2009. CEC-300-2008-009F

Conclusion

The Government's Solar Flagships Program is a significant driver for the development of the solar energy sector's contribution to the portfolio of technologies required to achieve the MRET objective of 20% by 2020. However, the Flagships program alone will not stimulate the scope of development required. Additional support mechanisms through the Renewable Energy (Electricity) Amendment Bill 2009 are required to provide a complete policy framework. These mechanisms must recognise the need to support a broad range of technologies through differentiated support programs.

Thank you again for the opportunity to contribute to the committee.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'B. Hendy', with a long horizontal flourish underneath.

Barry Hendy
Business Development Manager - Australia