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SUBMISSION TO: RENEWABLE ENERGY TARGET REVIEW ISSUES PAPER

Eraring Energy welcomes the opportunity to make a submission to the Climate Change Authority's Renewable Energy Target Review Issues Paper.

Eraring Energy supports the continuation of the RET scheme and the Australian governments' policy objective of achieving at least 20% renewable generation by 2020. It is noted (*page 23 of Issues paper*) that the 20% by 2020 commitment relates to total renewable generation in 2020 including LRET, SRES and generation from baseline capacity. As such baseline generation contributes to the 20% government policy objective.

Currently the LRET target for 2020 is set at 41,000GWh and LRET quantities are based on renewable generation in excess of so called "baseline generation". For power stations operating before 1997, the baseline is the average annual generations over 1994, 1995 and 1996. For power stations that did not exist before 1997, the baseline is set to zero.

It is acknowledged that due to lower demand forecast for 2020 total renewable generation is expected to overshoot the government policy target of 20% at the expense of electricity consumers. To rectify this situation, there are suggestions by some parties to reduce RET targets to compensate the expected reduction in demand. However, rather than reducing the RET targets Eraring Energy recommends absorbing baseline generation into the LRET keeping the existing 41000GWh target unchanged. This would effectively reduce the cost of reaching the 20% renewable energy target by making available additional large generation certificates. This will in effect put downward pressure on the cost of electricity for end users while maintaining the government policy objective of 20% by 2020.

Eraring Energy recommends keeping fixed annual GWh targets (i.e. continuation of existing practice) rather than changing to RET targets based on demand. We believe this will assist maintaining investor certainty on the scheme.

Eraring Energy recommends less frequent reviews of the scheme – perhaps once in 4 years as the current biannual review creates more uncertainty leading to unnecessary investment risks.

In summary, Eraring Energy recommends absorbing baseline generation into the LRET and leaving the overall LRET unchanged.

Please contact Tim Baker, Executive Manager Corporate Risk and Strategy, on (02) 8268 4234 should you wish to discuss this further.

Yours faithfully



PETER JACKSON
MANAGING DIRECTOR