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Climate Change Authority
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Dear Madam / Sir:

RENEWABLE ENERGY TARGET REVIEW ISSUES PAPER

Horizon Power welcomes the opportunity to comment on the above-mentioned consultation paper.

Horizon Power is Western Australia's regional electricity provider. We are a state government-owned, commercially-focused corporation that provides power to about 43,000 customers (comprising more than 100,000 residents and 9,000 businesses, including major industry) across regional Western Australia.

Horizon Power manages two interconnected systems, the North West Interconnected System (NWIS) in the Pilbara and the interconnected transmission network between Kununurra and Wyndham, as well as 36 non-interconnected or islanded systems in regional towns and remote communities.

Background

As a retailer acquiring power from a network larger than 100MW (the NWIS), Horizon Power is liable under the Renewable Energy Target (RET). We meet our large-generation certificate liability through a combination of spot market purchases and long-term contracts for renewable energy certificates (RECs).

Horizon Power is also a liable entity under the carbon pricing mechanism (CPM). The raft of federal and state policies designed to encourage uptake of renewables alongside a reduction in greenhouse gas emissions have created policy uncertainty, policy overlap and gaps, a lumpy renewables investment profile, and investment in sectors where it may not be most needed.

This scenario has made the cost of administration and compliance by liable parties unnecessarily high without delivering the benefits of renewable and less emissive energy in an efficient and predictable manner across Australian energy systems. Like many larger grid operators, Horizon Power is developing solutions for balancing renewable generation, but network capacity in some cases cannot keep up with customer interest. This challenge

is expected to grow as our customers become increasingly involved in managing their own electricity consumption and costs.

Whilst acknowledging the importance of encouraging development of the renewable energy industry in Australia, we would prefer that the CPM serve as the chief means by which investment in the sector is stimulated.

With this context in mind, Horizon Power can make the following specific comments on the existing RET and with respect to the questions (pp. 50-51) in the issues paper.

LRET

Contemplating the LRET target and its trajectory depends mainly on one's view of the policy overall. Horizon Power prefers a single, national carbon price to a plethora of policies with different goals (from emissions reduction to uptake of renewables and energy efficiency). If the RET is to continue, we would express a preference for maintaining existing settings. The chief advantage of this approach is policy certainty.

A fixed-gigawatt hour target is preferable to a percentage target, but if baseload demand continues to fall, achieving a fixed target will become more difficult.

Horizon Power believes projects initiated under the Clean Energy Finance Corporation should be allowed to earn RECs like any other project; the source of funding should not affect a project's ability to earn certificates.

SRES

Whilst the Small-scale Renewable Energy Scheme (SRES) is fulfilling its aims of helping householders and other small-use customers install small renewable systems, its effects have been highly distortionary for those parties responsible for delivering the electrons created in those systems.

The forward payment in full of the appliance's deemed lifetime value, in combination with the multiplier, has led to a surge (documented in the issues paper) in small-scale installations. In remote systems such as those in Horizon Power's service area, this demand has exceeded the hosting capacity of some electricity systems, forcing the suspension of connections of new renewable energy systems.

Reducing and ultimately eliminating the multiplier are welcome steps toward policy certainty in this segment of the market.

Participation in and administration of the SRES have certainly added to Horizon Power's costs, which as mentioned we seek to pass on in the most efficient manner possible, although state regulation of retail energy prices limits transparency in this regard.

In principle, we do not object to the addition of displacement generation technologies to the SRES, but we caution that the relationship between the amount of energy generated and the amount offset be understood and clearly articulated before implementation. As the technical composition of grids can change, the way in which displacement generation is valued and earns RECs will be important.

Diversity of renewable energy access

Preferring market-based approaches to energy policy, Horizon Power does not support the implementation of any further distortionary incentives in the RET.

Review frequency

Horizon Power considers biannual reviews (as legislated) sufficient.

Thank you for your consideration of our submission. Should you have any questions about it, please do not hesitate to contact Horizon Power's policy manager, Brenna Pavey, on 08 6310 1865 or at brenna.pavey@horizonpower.com.au.

Yours sincerely,



DAVID TOVEY
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