Lake Macquarie City Council

14 September 2012

Climate Change Authority
GPO Box 1944,
Melbourne VIC 3001

Dear Sir/Madam,

Subject: **Lake Macquarie City Council submission on the Renewable Energy Target issues paper - 14 September 2012**

General:

This submission provides Council's technical comments based on established Council policy and strategies. It has not been subject to a specific Council motion and resolution .

The Renewable Energy Target has been of great assistance in promoting the installation of renewable energy in Lake Macquarie City. This includes Council's own investments in solar PV on its administrative and community facilities, amounting to 98 kW to date, as well as by businesses and residents on their properties. The uptake of rebates by the City's residents is amongst the highest in the State, with 7.3% of households having installed a solar PV system with a combined capacity of 11.9 MW.

Local Government Area	Number of domestic systems	Total Capacity (kW)	Domestic Customers	Households with PV system (%)
LAKE MACQUARIE	5,751	11,861	78,372	7.3%

Given the scientific data and modelling published by the IPCC regarding the impacts of greenhouse gas emissions on the global environment, and the particular hazards faced by Lake Macquarie City, we support extension of the Renewable Energy Target beyond 2020. A logical extension would be to align a new RET with the national greenhouse gas emissions reduction target of 80% below 2000 levels by 2050.

Please fine below comments in relation to the specific matters raised in the discussion paper.

5. Large-scale Renewable Energy Target

Are the existing 41,000 GWh LRET 2020 target and the interim annual targets appropriate? What are the implications of changing the target in terms of economic efficiency, environmental effectiveness and equity?

Is the target trajectory driving sufficient investment in renewable energy capacity to meet the 2020 target? How much capacity is needed to meet the target? How much is currently committed? Has the LRET driven investment in skills that will assist Australia in the future?

In the context of other climate and renewable policies, is there a case for the target to

126-138 Main Road Speers Point NSW 2284 ● Box 1906 Hunter Region Mail Centre NSW 2310
Phone: 02 4921 0333 ● Fax: 02 4958 7257 ● ABN 81 065 027 868
council@lakemac.nsw.gov.au
www.lakemac.com.au

continue to rise after 2020?

Should the target be a fixed gigawatt hour target, for the reasons outlined by the Tambling Review, with the percentage being an outcome?

Should the target be revised to reflect changes in energy forecasts? If so, how can this best be achieved – as a change in the fixed gigawatt hour target, or the creation of a moving target that automatically adjusts to annual energy forecasts? How should changes in pre-existing renewable generation be taken into account? What are the implications in terms of economic efficiency, environmental effectiveness and equity?

Yes, as above the target should continue to rise beyond 2020, and align with the Commonwealth's 2050 greenhouse gas emissions reduction target .

Clean Energy Finance Corporation–funded projects

What are the costs and benefits of increasing, or not increasing, the LRET target for Clean Energy Finance Corporation-funded activities? What are the implications in terms of economic efficiency, environmental effectiveness and equity?

It is noted that the intent of the RET is to provide a market based mechanism to encourage the most cost effective investments in renewable energy. However, this mechanism is compromised by the Clean Energy Finance Corporation's investment of $5 billion on renewable energy, which may depress the market value of Large-scale Generation Units (LGCs). It would be beneficial if the RET was less subject to the market effects of such direct govenrment investment.

5.2. Liability framework and surrender

Is the calculation of individual liability using the RPP the most appropriate methodology?

Is it appropriate to set the RPP by 31 March of the compliance year?

Is the shortfall charge set at an appropriate level to ensure the 2020 target is met?

Are there other issues relating to the liability or surrender framework the Authority should consider?

No comment.

5.3. Exemptions

Self-generator exemption - questions:

What are the costs and benefits of the current exemption arrangements?

The self-generator exemption pre-dates the EITE partial exemptions – are both required? If so, why?

What, if any, changes to the current exemption arrangements should be made? What would be

the impact of those changes on directly affected businesses and the broader community?

No comment.

5.4. The large-scale eligibility framework

Is a list approach to 'eligible renewable sources' appropriate?

Are there additional renewable sources which should be eligible under the REE Act?

Should waste coal mine gas be included in the RET? Should new capacity of waste coal mine gas be included in the RET?

What would be the costs and benefits of any recommended changes to eligible renewable sources?

The current exemptions for Waste Coal Mine Gas (WCMG) electricity generation appear inconsistent with the scope and intent of the RET. WCMG is not a renewable energy source, but a means of improving the energy recovery from a fossil fuel source, and a means of reducing direct carbon pollution of the atmosphere. On this basis it would be preferable for the exemption to be removed, and certainly not extended.

5.5. LRET administration

Are the LRET accreditation and registration procedures appropriate and working efficiently?

No comment.

6. Small-scale Renewable Energy Scheme

What do you consider to be the costs and benefits of having a separate scheme for small-scale technologies?

Should there continue to be a separate scheme for small-scale technologies?

The benefit for Council is that it provides a defined and relatively stable market to drive investment in small scale renewable energy generation, regardless of the level of interest by small investors. The current system works relatively well in stabilising the demand, but it is appreciated that this makes it difficult for liable entities to predict their obligations as the Small Scale Target Percentage (STP) varies dramatically from year to year. The separate target should be continued however, to avoid minimising investment in large-scale generation.

6.1. Small-scale target

Is the uncapped nature of the SRES appropriate?

What do you see as being the costs and benefits of an uncapped scheme in terms of economic efficiency, environmental effectiveness and equity?

Is the SRES driving investment in small scale renewable technologies? Is it driving investment in skills?

Yes, despite the issues of inter-annual STP variation, it does provide a stable demand for STCs which is the critical outcome and purpose of the scheme, i.e. to drive investment.

6.3. Small-scale eligibility framework

It is noted that:

"Eligible small generation units are defined as:

- solar PV with a capacity limit of 100 kW;
- micro hydroelectric systems with a capacity• limit of 6.4 kW; and
- small wind turbine systems with a capacity• limit of 10 kW.

To be eligible under the SRES, the annual generation of a small generation unit must not exceed 250 MWh for solar PV and 25 MWh for small wind and hydro."

At a number of Council sites future installations of solar PV and/or small wind, could exceed either the maximum installed capacity and/or the annual renewable electricity generation eligibility criteria, thereby excluding Council from creating STCs. To facilitate further investment in solar PV and small wind, it would be beneficial if Council could remain eligible, but this would require those limits to be increased.

Alternatively, Council could register those sites as a 'power station', but would need to be able to accommodate such registration within planning provisions.

Displacement technologies

What is the appropriate process for considering and admitting new technology to the SRES?

Should any additional small-scale technologies be eligible to generate STCs?

Is it appropriate to include displacement technologies in the SRES?

Should additional eligible technologies be limited to generation technologies?

Whilst the RET uses electricity as its primary measure, the actual commodity required by the customer is energy, such as for hot water. That is why perhaps the scheme is (correctly) called the Renewable Energy Scheme, not the Renewable Electricity Scheme. Accordingly, it is logical to include heatpumps and solar hot water in the scheme

as a very direct form of renewable energy. However, to prevent distortions, it may require a sub-category with in the STC class of RECs.

Deeming

Is deeming an appropriate way of providing certificates to SRES participants?

Are the deeming calculations for different small-scale technology systems reasonable?

Deeming has the benefit of returning the entire benefit of the investment over its assumed life (typically 15 years for solar PV) to the present. However, the draw-backs are that it assumes generation efficiencies and life spans that may not be accurate.

Solar Credits

What are the lessons learned from the use of multipliers in the RET? Is there a role for multipliers in the future?

Multipliers effectively depreciated the value of RETs and were inconsistent with the original thinking in ascribing a certain value to a unit of installed renewable energy capacity. This provided basis for opponents of the scheme to observe that they are not 'real' mechanisms and that the extra certificates were 'phantom'.

In Council's experience, perhaps the single most effective mechanism for driving investment in small scale solar PV, was a favourable grid feed-in tariff (FiT). Whilst 60 cents in NSW may have been too high to be economically sustainable, or more than was needed to drive investment, FiT's have the benefit of being directly representative of the actual energy use. Consequently, there is a strong argument for a single FiT across the National Energy Market (NEM), that transcends state boundaries and is stable over the long term. Earlier this year, the NSW Independent Pricing and Regulatory Tribunal (IPART) established a non-mandatory FiT for retailers of about 7 to 8 cents/kWhr, factored only on the retail benefit. A NEM-wide Fit would need to be of the order of 20 to 25 cents/kwhr to provide sufficient incentive to drive investment in lieu of deemed STCs.

6.4. The STC Clearing House

Is the STC Clearing House an effective and efficient mechanism to support the operation of the SRES?

Should changes be made to the Clearing House arrangements? If so, what would be the costs and benefits of any suggested alternative approaches?

Is $40 an appropriate cap for small-scale certificates given the recent fall in cost of some small-scale technologies, particularly solar PV?

To help provide liable entities with improved predictability of their STC purchase obligations, it would be beneficial to provide a cap, and $40 is well in excess of the current STC market value of about $29. It should also provide sufficient incentive to small investors.

Should you require further information, please contact me.

Yours faithfully

Hugh Cross
Sustainable Living Coordinator