

14 September 2012

Submissions  
Climate Change Authority  
GPO Box 1944  
Melbourne VIC 3001

By email

Dear Sir / Madam

### **Renewable Energy Target Review**

Sydney Water appreciates the opportunity to make a submission to the Renewable Energy Target Review (Review). Sydney Water provides drinking water, recycled water, wastewater services and some stormwater services to more than four million people in Sydney, the Illawarra and the Blue Mountains. Sydney Water is Australia's largest water utility with 3,000 staff and an area of operations covering 12,700 km<sup>2</sup>. Sydney Water is a statutory State owned corporation, wholly owned by the New South Wales Government.

With respect to the RET Scheme, Sydney Water is a participant in the Large-scale Renewable Energy Target (LRET), generating Large-scale Generation Certificates (LGCs) from 8 generators fuelled from biogas produced at Sydney Water's sewage treatment facilities and 2 hydro generators. In addition, Sydney Water is a large consumer of electricity and, via its retail electricity contract, has significant exposure to the costs of the RET Scheme.

With respect to the questions raised in the Review's Issues Paper, Sydney Water makes the following comments;

#### **Target and Trajectory**

To invest in renewable electricity generation, industry requires regulatory certainty with regard to the scheme target, trajectory and timeframe. With the increased LRET target in place for just 2 years and a large surplus of LGCs being addressed through the target adjustment for 2012 and 2013, Sydney Water believes that further change to the scheme target at this stage is unnecessary and is likely to provide increased investment uncertainty. It is recommended that therefore that the LRET 2020 target and trajectory remain in its current form, thus allowing the industry to plan investment in new generation.

With respect to the issue of a fixed GWh target or moving percentage, Sydney Water believes that regulatory certainty is enhanced by a fixed target rather than under a scenario where targets are constantly adjusted.

## Setting the RPP

Sydney Water carries a large exposure of costs RET and seeks to actively manage these costs with its electricity retailer. With the RPP and STP applying to each calendar year, certainty of the respective percentages prior to the start of the year is considered advantageous to Sydney Water. The publication of the RPP by 31 March of the year in which it applies requires costs and positions to be adjusted twice, once prior to the year commencement and one after the RPP is published. To assist the industry, Sydney Water recommends that the RPP is published prior to 30 November in the year preceding the year which the RPP is to apply.

## SRES

Whilst Sydney Water supports the provision of a subsidy for the deployment of small-scale technologies, the uncapped nature of the SRES target has resulted in significantly higher electricity costs than were anticipated when the Scheme was first legislated. With reference to the overall policy intent of RET of 20% renewables by 2020, the SRES percentage of 23.96% alone for 2012 makes this point self-evident.

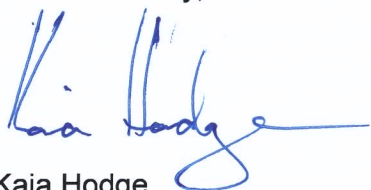
In managing the ongoing costs to all consumers, it is recommended that both the regulator and Government closely monitor the cost impost of SRES. Based on the past, a key area for attention is the level of SRES subsidy provided as technology costs decrease and electricity costs increase. Where these market dynamics change, Sydney Water would recommend that the regulator use its ability to respond quickly to changes in the sector.

Also of importance is managing the inter-relationship of SRES with various state based incentives. To avoid the creation of large quantities of STCs and their associated cost to consumers and business, it is recommended that State and federal jurisdictions work together to avoid over-generous incentives and the potential of boom-bust cycles for deployment of certain technology types that have occurred in the past.

In summary, Sydney Water supports the RET as a measure to create demand for the continued deployment of renewable electricity generation in Australia. To ensure continued investment certainty, Sydney Water supports the continuation of LRET in its current form and associated targets. Sydney Water believes that the SRES, to date, has placed an unduly high cost burden on both consumers and industry and regulatory control of the scheme is important to keep future costs under control.

If you would like to discuss any aspect of this submission further, please contact Daniel Cooper, Energy Manager on 02 8849 5550

Yours sincerely,



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Sydney Water