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Feedback on the RET Review discussion paper

Hepburn Wind appreciates the opportunity to provide feedback on the RET Review discussion paper.

Quarterly certificate surrender

There have been several weeks this year where no LGCs have been traded — i.e. there have been extended periods of essentially no liquidity in the market.

As a relatively small generator fully exposed to the market, and without the working capital capacity to 'bank' a significant number of LGCs, this lack of liquidity can be problematic.

At the roundtable discussion on 2 November in Melbourne, a number of participants briefly suggested that the Review give consideration to transitioning from annual LGC surrender to quarterly surrender, with the aim of increasing liquidity in the LGC market.

While some liable parties might consider this to be an additional burden, STCs are already surrendered on a quarterly basis, so the increase in regulatory burden of adopting a uniform approach of surrendering LGCs and STCs quarterly would be minimal.

We would like to add the weight of our voice to this practical suggestion that would go some way to addressing a weakness in the operation of the LGC market.

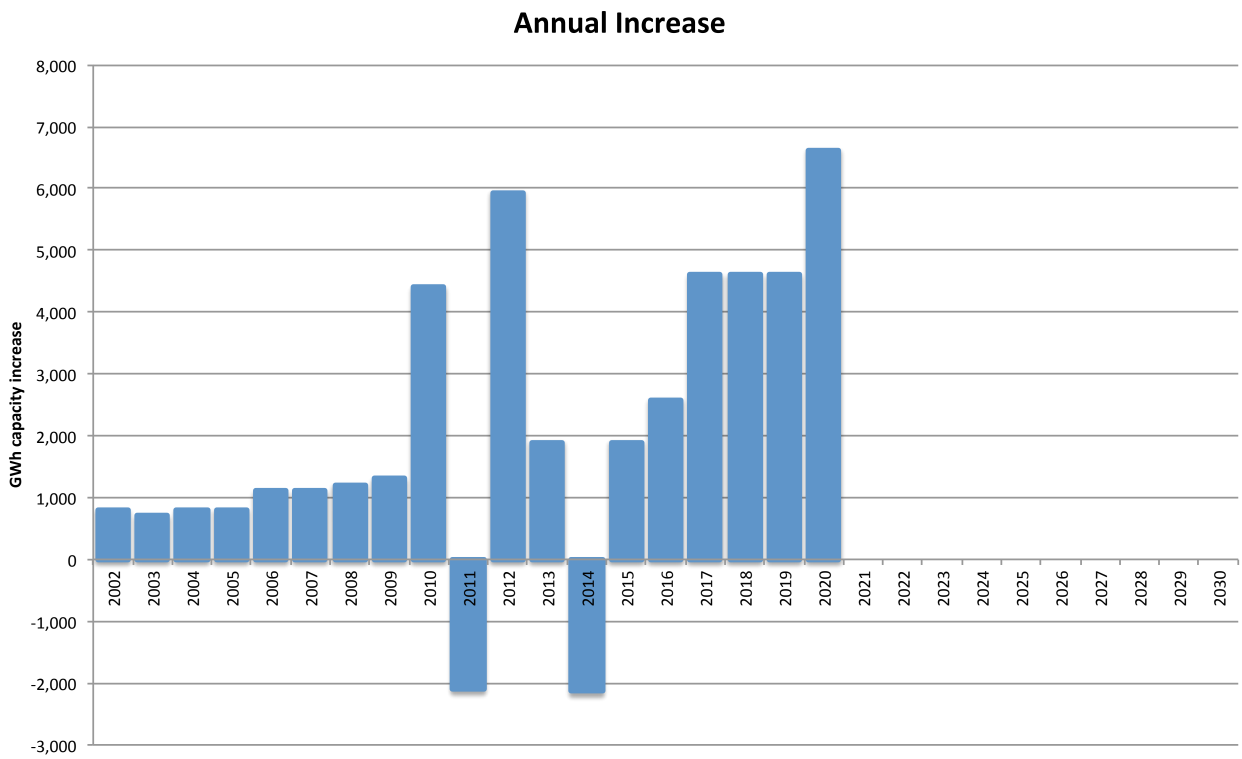
Post-2020 target

While we acknowledge the Authority's reasoning to not recommend any goal adjustment in the post-2020 period *at this time*, we feel that the report could be strengthened with a discussion around the industry 'bust' in 2021 that is likely given the current legislative settings.

We feel that there is insufficient understanding that it is the increase in the target, and not the target's absolute level, that drives the development and construction of renewable energy generation. In years where the increase in the target is zero, the target itself will provide effectively no incentive to build renewable capacity.

While some might argue that it is the job of carbon pricing post-2020, there appears to be little understanding in the commentariat that the policies are complementary — i.e. if the carbon price provides an adequate signal then the LGC price will tend to zero.

The chart below shows the annual increases (and decreases) in the target.



After a very active period starting in 2017 and culminating in 2020, there is currently a 'demand cliff' programmed in for 2021. Our point, not well paraphrased on page 48 of the discussion paper, is that development (rather than construction) for the post 2020 period will need to start in the next 2 – 3 years. This means that programming the next review for 2016 (with supporting legislation possibly as late as 2017) effectively programs in a bust for 2021, resulting in dislocation and inefficiencies.

We believe that the final output of the Review would be strengthened with a clear discussion of this matter.

Yours sincerely

Simon Holmes à Court
Founding Chairman