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12 November 2012

Renewable Energy Target Review
Climate Change Authority
By Email: enquiries@climatechangeauthority.gov.au

Dear Sir/Madam,

Submission: RET Review Discussion Paper

Please find attached our comments on the discussion paper released by the Climate Change Authority on the 29th October 2012.

LMS applauds the Climate Change Authority on its balanced and thorough discussion paper. If the majority of the discussion paper's recommendations are upheld certainty that is vital for the Renewable Energy Industry to meet its targets should be restored. LMS realises there is no formal submission process for the discussion paper but appreciates the opportunity to submit our response none the less.

Please do not hesitate to contact me should you have any queries.

Yours sincerely,



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RENEWABLE ENERGY TARGET DISCUSSION PAPER

Date: 12 November 2012

Prepared for: Climate Change Authority

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Draft Recommendations and Responses

Chapter 3 – Role of the Renewable Energy Target

1. *The preliminary view of the Authority is that the frequency of scheduled scheme reviews be amended from every two years to every four years, so that the next review would be in 2016.*
 - LMS agrees that the frequency of the reviews should be increased; a review every five years would enhance certainty even more.

Chapter 4 – The Large-scale Renewable Energy Target

2. *The preliminary view of the Authority is that the form of the target should continue to be expressed in legislation in terms of a fixed gigawatt hour level.*
 - LMS agrees that given the Large-scale Renewable Energy Target was originally set as a fixed target it should continue to be expressed in legislation in terms of a fixed gigawatt hour target to ensure certainty. This target should never be reduced.
3. *The preliminary view of the Authority is that the existing large-scale renewable target of 41,000 GWh and interim targets should be maintained in their current form.*
 - LMS agrees that the target should remain fixed in the short term, this is needed to give certainty – as mentioned in the review the main reason that was stressed in the Tambling review for a fixed target was to ensure certainty.
4. *The preliminary view of the Authority is that the Renewable Energy Target Review in 2016 is an appropriate time to consider adjusting the targets beyond 2020 in light of the policy and economic conditions prevailing at that time.*
 - LMS agrees that in the future it may be prudent to consider expanding the Renewable Energy Target in light of future policy and economic conditions. However consistent with LMS' suggestion of policy reviews every five years, 2017 is suggested when the target beyond 2020 should be considered.

Chapter 5 – Small-scale Renewable Energy Scheme

5. *The preliminary view of the Authority is that the Small-scale Renewable Energy Scheme should remain separate to the Large-scale Renewable Energy Target.*
 - LMS agrees.
6. *The Authority is continuing to consider whether the threshold for a small-scale solar PV system should be reduced below its current 100 kW limit to for example 10 kW.*
 - LMS believes 10KW would be more appropriate.
7. *The preliminary view of the Authority is that the price cap remains fixed at \$40, to be reassessed once there is some experience of the scheme's operation in the absence of the multiplier.*

- LMS agrees – so long as the multiplier is reduced. It is also suggested that the deeming arrangements be shortened.
8. *The preliminary view of the Authority is that discounting (multipliers of less than one) of the number of certificates to be created in respect of each megawatt hour be provided to allow the Minister to control the cost of the SRES and ensure the subsidy level is appropriate.*
- LMS agrees that the SRES un-capped arrangement needs the ability to be price controlled. LMS suggests another way to enforce a price control would be to remove/dilute the deeming provision rather than to introduce a discounting multiplier.
9. *The preliminary view of the Authority is that a decision to apply or lower a discount factor should be applied in the following manner:*
- *The Minister should consider whether to lower the discount factor at the time the small-scale technology percentage is set each year;*
 - *The Minister's decision should be based on, and proportional to, the following criteria: (i) any reduction in net system costs over the last year; (ii) electricity prices and whether the SRES contribution is greater than 1.5 per cent; and (iii) whether the average payback period of a small-scale system has fallen below ten years;*
 - *In making the decision, the Minister should obtain and take into consideration independent data surveys regarding the above criteria. The survey results should be published.*

If the Minister decides to lower the discount factor, the Minister should provide reasons regarding the weighting of each element.

- LMS suggests that this could also apply to the deeming arrangements; for example the Minister could decide to allow deeming but for a shorter period, or deem for multiple shorter time periods, if a system performs as expected in the first deeming period. The 15 year deeming period could be split up into three five year deeming periods, with each successive period only coming into effect if the system performed as credited.
10. The preliminary view of the Authority is that the clearing house should be amended to a 'deficit sales facility' whereby new certificates may only be placed on the transfer list when the clearing house is in deficit.
- No Comment.

Chapter 6 – Liability and Exemption Framework

11. *The preliminary view of the Authority is that there should be no changes to the primary point of liability or the size threshold for coverage of grids.*
- No comment.
12. *The preliminary view of the Authority is that large electricity consumers should be able to opt in to assume direct liability for Renewable Energy Target obligations. The Authority will consult further with participants and the Clean Energy Regulator on a workable model for opt-in arrangements.*
- No comment.

13. *The preliminary view of the Authority is that no changes be made regarding the process for calculating individual liability.*

- No comment.

14. *The preliminary view of the Authority is that the renewable power percentage and small-scale technology percentage should be required to be set prior to a compliance year, and preferably by 1 December of the preceding year.*

- No comment.

15. *The preliminary view of the Authority is that the current arrangements for surrender of certificates (annual surrender for the Large-scale Renewable Energy Target; quarterly surrender for the Small-scale Renewable Energy Scheme) should be maintained.*

- No comment.

16. *The preliminary view of the Authority is that the current settings for the shortfall charges should be maintained. However, the level of the shortfall charge should be reconsidered by the Authority as part of its 2016 review of RET targets beyond 2020, or earlier if circumstances warrant it.*

- LMS suggests that the shortfall should not be reduced in future reviews. If there is a low carbon price – the Renewable Energy Target will be required to support the majority of investment to reach target, by potentially reducing the shortfall charge less of a price signal will be given for renewable energy investment, further decreasing certainty in the industry and further reducing the likelihood of reaching the target. If however there are other policy mechanisms that also support Renewable Energy the shortfall charge will not be triggered, negating any need to change the shortfall charge in the first place.

17. *The preliminary view of the Authority is that the level of the emissions-intensive, trade-exposed exemption under the Renewable Energy Target should be considered by the Productivity Commission as part of its broader review of the carbon pricing mechanism Jobs and Competitiveness Program in 2014-15.*

- No comment.

18. *The preliminary view of the Authority is that Partial Exemption Certificates should be tradeable and made usable by any liable entity to reduce liable electricity acquisitions.*

- No comment.

19. *The preliminary view of the Authority is that the Commonwealth Government should consider opportunities to align application processes and data requirements for the Jobs and Competitiveness Program and Renewable Energy Target as closely as possible.*

- No comment.

20. *The preliminary view of the Authority is that there is no strong case for the exemption from liability under the Renewable Energy Target for self-generation, and that the exemption should be removed for new self-generation (but retained for existing self-generators).*

- No comment.

Chapter 7 – Eligibility of Renewable Energy under the Renewable Energy Target

21. *The preliminary view of the Authority is that no change is necessary to the accreditation process for LRET.*

- LMS agrees in principle. The only exception would be the ability to remove the baseline for pre-existing power stations. As mentioned in LMS' submission to the issues paper, the baseline of a pre-existing power station should be removed if the project is refurbished at over half the cost of its replacement value only – the project should not need to also be turned off for three consecutive years.

22. *The preliminary view of the Authority is that existing arrangements for waste coal mine gas should be maintained.*

- No comment.

23. *The preliminary view of the Authority is that there should be no change to the REE Act to allow for new waste coal mine gas to be eligible.*

- No comment.

24. *The preliminary view of the Authority is that without a clear process for ensuring that inclusion of wood waste from native forests would be ecologically sustainable that it should not be reintroduced to the RET.*

- LMS Agrees.

25. *The preliminary view of the Authority is that new small scale technologies should be considered on a case by case basis for inclusion in the SRES.*

- LMS Agrees, assuming that only generation technologies will be considered and not displacement technologies. In addition no multipliers or excessive deeming mechanisms should apply.

26. *The Authority notes that at this time there are no additional new small scale technologies that should be made eligible in the SRES.*

- No comment.

27. *The preliminary view of the Authority is that existing arrangements for displacement technologies should be maintained.*

- LMS agrees that no new displacement technologies should be included in the SRES. LMS also suggests that current solar hot water heaters and heat pump displacement technologies should have limited influence.

28. *The preliminary view of the Authority is that no change should be made to the REE Act to allow additional displacement technologies.*

- LMS Agrees.

Chapter 8 – Diversity of Renewable Energy under the Renewable Energy Target

29. The preliminary view of the Authority is that no change should be made to the Renewable Energy Target framework to promote diversity.

- LMS Agrees.

Chapter 9 – Small-scale Scheme Administrative Issues

30. *The preliminary view of the Authority is that the small-scale accreditation system should be open to accreditation bodies other than the Clean Energy Council. Provision should be made for the Clean Energy Regulator to develop a regime to approve accreditation bodies.*

- LMS suggests keeping the Clean Energy Council as the sole accreditation body under the small-scale scheme. Whilst more accreditation bodies could reduce accreditation wait times, the accreditation bodies could also have the incentive to relax the robustness of their accreditation standards in an effort to attract more business away from other accreditation bodies - resulting in a market failure.

31. *The preliminary view of the Authority is that wind and hydro products should require accreditation to be eligible to create certificates.*

- LMS Agrees.

32. *The preliminary view of the Authority is that the existing deeming arrangements remain appropriate.*

- LMS does not completely agree. LMS still feels the deeming arrangements under the SRES should be shortened. The deeming period of 15 years could be split up into the first five years, then next five years then the remaining five years, this will ensure no gross over crediting of certificates occurs whilst keeping scheme costs to a minimum.

33. *The Authority is continuing to consider whether, in conjunction with any reduction in the threshold for a small-scale solar photovoltaic system below 100 kilowatts, any shortening of the deeming period for larger sized units would be appropriate.*

- As above.

34. *The preliminary view of the Authority is that the requirement to submit a solar water heater and small generation unit return should be removed from the Renewable Energy (Electricity) Act 2000 (Cth).*

- No comment.

35. *The preliminary view of the Authority is that the requirement to provide the out-of-pocket expense data for a small generation unit installation should be removed from the Renewable Energy (Electricity) Act 2000 (Cth).*

- No comment.