Australia's future is SOLAR
Solar Energy Industries Association INC

Address: PO Box 517, Kempsey NSW 2440
Email: seia@seia.org.au or admin@seia.org.au
Phone: 02 6563 1022 Fax: 02 6562 5405
ABN: 51 798 083 437

**SUBMISSION FOR THE RET REVIEW**

As SEIA is an Association representing solar installers and retailers whose main engagement is in the residential and small to medium commercial market, this submission is concerned primarily with the STC component of the RET. Coupled with this is a business imperative for market stability and sustainability and with a longer term investment horizon.

**Overview**

The RET has been a single most important element in supporting and growing the solar industry for the residential and small commercial market. This has resulted in thousands of jobs in this sector as well as many businesses joining the industry. This jobs and market growth has been especially beneficial for regional areas where employment and business opportunities are fewer.

In addition to assisting with a pull factor for businesses, it has provided a push by making solar available and affordable for many low to medium income families who make up the bulk of solar purchasers. This combination of both push and pull is a core driver behind the large uptake by the Australian public.

Individual State-based schemes, often ill considered, have had a range of impacts for our industry. Where they have resulted in very high and unsustainable growth, the benefits to the industry have been short term and the sudden withdrawal of the Government-based drivers has resulted in crashes with large staff retrenchments and business bankruptcies.

The RET however, has provided a base line stability to the industry. There have been issues which shall be dealt with shortly but overall the RET has been an essential component of the industry for Australian solar businesses. It is essential that the RET is retained to 2020 and enlarged to 2030 and beyond to ensure that Australia continues on the path towards a clean energy future.

**The STC scheme in operation**

Overall the RET has been a success but some of the issues are as follows:

1. The volatility in the STC price has been a major contributor to business cash flow problems and business bankruptcies. The volatility has stemmed from three major causes.
   The first is the changes to the multiplier not being reviewed in a timely manner so that they could be adjusted in accordance with falling panel prices, which resulted in higher than expected uptake of solar and collapse in the STC price.
   The second is that due to this lack of timely review, there was a knee jerk reaction to cut the multiplier by more than was indicated to the public. This created chaos for business and excluded many buyers from the market place as well creating volatility for the STC price.
   The third was an overlap of multiplier and over generous State based schemes creating in some States an almost free solar PV system, creating huge and unsustainable uptake and forcing the collapse of the STC price. Once again this created massive difficulties for businesses. This third point was not within the REC regulation to manage but with timely consideration of the multiplier, even on a State by State basis, the impacts could have been minimised.

2. The Clearing House conceptually is good but to date has had little if any benefit. The concept to create a mechanism that would stabilise STC prices has failed due to the points raised above. However, with the slow down in the solar industry resulting from reductions in the Multiplier and States' withdrawal of support mechanisms such as Feed-in-Tariffs, the market over supply should be gone by 2013 allowing the Clearing House to perform as it was intended. For this reason the retention of the Clearing House is supported by SEIA. In addition, any changes to the Clearing House now would create further instability in the industry.

3. The establishment of REC brokers to manage the REC and STC creation is again another conceptually good thing but one that was ill conceived and badly implemented. The only requirement to become a REC broker was an operating business with an ABN. Such a base requirement to be an authorised agent handling public monies on behalf of Government was an astounding Lack of Governance and a total absence of Duty of Care. This was not the fault of the RET itself but by the implementation.
   As a result many companies saw the opportunity to set up as REC brokers with no restraints by Government on their business practices. For those who had business acumen and integrity, they provided the services the Government intended. For the 'cowboys' who were attracted by this unfettered business model, they engaged in fraudulent behaviour, ripping off thousands of dollars from families and pensioners and sending many businesses into bankruptcy. The aftermath is still being felt as they come before the courts and go into liquidation.
   The repercussions were so great that the brokers who were providing a proper service have felt the need to form a REC Agents Association (RAA) with a code of ethics to try and provide for the industry what Government regulation had failed to provide.

4. The changes to the multiplier have been based on the changes to system pricing of grid connected PV systems, and have totally ignored the impact on the Stand-Alone Power System (SPS) market. Previously, this market was supported by the RRPGP Scheme, enabling people who do not have access to grid power at an affordable price, to have an SPS rather than depending on a fossil fuelled, CO2 emitting generator.
   For this demographic the RRPGP Scheme was a necessity rather than a luxury and the change to REC and multiplier had a severe impact on both home owners and those businesses providing that service. As the multiplier has been reduced the impact has worsened and systems that could be an effective alternative to the grid have become unaffordable for many.
   While panel prices had fallen the Balance of System (BOS) components have not and a case exists for retaining a substantial multiplier specifically for this sector. It is an essential but small sector and therefore an increased multiplier will not have an impact on market STC prices. This will also have a benefit by reducing rural grid extensions and upgrades into areas that are costly and with high maintenance, usually cross subsidised by urban grid connections. This could potentially remove a driver for increased power prices.
   The current conditions for the SPS multiplier should remain and in addition there should be a ratio of panel to storage capacity to prevent over purchasing of solar into systems that are unable to utilise the additional capacity. This was provided under the RRPGP Scheme.

5. The removal of rebates has severely impacted the SHW industry. The SHW market does not have the same price reduction capacity as has been achieved in the PV industry and there is a case for supporting this industry with a modest multiplier to assist it's growth and sustainability as an Australian manufacturing industry.
   This is particularly important from the view of overall energy use. An electric hot water system typically is 25% to 40% of total household energy use. Due to the lower cost of Off Peak (OP) electricity, this percentage of energy use is not reflected in the overall power bill and so the incentive to save energy use by installing solar hot water is greatly reduced. It is for this reason that the switch to solar hot water needs additional support such as a greater multiplier in order to overcome that financial barrier for the customer, and the reduced energy consumption for the network.

6. The STCs provided for Grid Connected systems are based on specific zones with solar arrays mounted on North facing roofs at an appropriate angle. The reality in the field has been that many systems are subject to severe shading or installed on inappropriate roofs facing wrong directions and given the same number of STCs as a correctly installed system. Such systems which will not deliver the same energy yield should not receive the same STCs. However, it is important that STC numbers are not reduced as a 'one size fits all' solution but rather the sites where the problems exist are penalised by reduced STC numbers.

7. The Regulator needs to know that the training for designers and installers is adequate to confidently create STCs for the work undertaken. Obviously from situations in the past already highlighted, this training has been shown to be grossly inadequate, through either course material and/or delivery, and the accreditation should not have been issued.
   There have been many concerns raised by members of our Association regarding the accreditation requirements and procedures and prices. Many of the training modules required are inadequate to fully teach people and many are starting out in the industry with insufficient knowledge. The theory provided is often appropriate for an apprentice-type arrangement where there is on site learning under the auspices of a properly accredited person but inadequate to do the 'quickie' course and be able to immediately start installation of solar systems unsupervised.
   This situation is specifically relevant also to the training for Stand–alone Power Systems. Under current arrangements, an electrician can do a 1 week course and supposedly be able to do the work which normally has a 300 hour training required.
   The feeling in the industry is that under the current monopoly arrangements for accreditation, it is being used as an easy income stream rather than a prime concern for the level of training needed to ensure the industry reputation remains high and intact and systems are safe.
   Ending this monopoly is an important part of taking the industry forward. At the same time, there are many training organisations (RTOs) who have been recently highlighted as doing grossly inadequate training and some checks and balances need to be in place to ensure corners are not cut here. Audits by the Regulator are important, but should not need to be the prime method of maintaining quality.

**The RET into the future**

SEIA supports the retention of the RET as is currently set and supports its continuation past 2020 as a key driver in providing Australia with an affordable clean energy future. The core consideration for the RET once retained is to ensure that it's impact on industry provides steady growth and sustainability.

**Recommendation 1**

To achieve this goal it is important that the review period is extended from it's current 2 years to at least 4 years. 2 yearly reviews mean that the RET is in reality in a constant state of review as one is no sooner finished when the next one is about to start. The solar industry requires more stability and sustainability if it is to make the appropriate investments in capital and human resources.

**Recommendation 2**

Ongoing assessment of the RET status should be done in a more timely manner than has been done to date. As well the information used to assess should be far more up to date than the information that has been used. To be using 2009-2010 figures to provide RET overview is a symptom of the problem and makes no sense when there is a large amount of more up to date information available from many sources.

**Recommendation 3**

It is important to retain the LRET as a fixed renewable generation figure at 41,000GWh. To reduce this as an arbitrary figure or revert to the generic goal of a 20% target, is both contrary to the spirit of the legislation which had bipartisan support, and will also create a large reduction in renewable energy investment as the 20% target can be achieved far sooner than the 41,000GWh target.

**Recommendation 4**

The Clearing House should be retained as it is in the near future that it will finally realise it's intended purpose as a stabilising influence on the STC price.

**Recommendation 5**

The separation of LGCs and STCs should remain. They are very different in their function and in the investment drivers, and if kept separated they can be adjusted individually to ensure the viability of one sector is not jeopardising the viability of the other.

**Recommendation 6**

Tighten the registration requirements to become a REC trader, with more oversight from the Regulator and liaison with the REC Agents Association as to appropriate guidelines and review conditions.

**Recommendation 7**

Retain a higher multiplier (minimum of 5 times) for those in need of Stand-alone Power Systems using approval criteria used both currently and for RRPGP in the past.

**Recommendation 8**

Have a multiplier for Solar Hot Water such as 2 times for those States where there is no other support mechanism. This would be low enough not to create a spike in the STC creation and hence no drop in STC price.

**Recommendation 9**

Require a calculation based on site factors to be provided with the STC assignment form. Incorrect details as determined by a Regulator authorised audit to mean a reduction in STCs with the designer rather than the householder being responsible for the cost of discrepancy.

**Recommendation 10**

The retention of the RET is critical for the quality and safety of solar installations because the creation of STCs is dependent on appropriate accreditation of the designers and installers. If the RET is abolished or down-graded, it will result in a large fall in the STC price which benefits the consumer. Consumers will then be encouraged to seek installations from non-qualified installers. Without an effective mechanism to ensure that properly accredited installers will be installing systems the issues of fires and safety will become problematic.

**Recommendation 11**

The course material for accreditation be reviewed with recommendations from all industry bodies, RTOs that deliver this specialised training be specifically selected based on their proven capacity to deliver, and the accreditation process be opened to other industry bodies to ensure competition and choice.

SEIA appreciates the opportunity to provide feedback in the RET Review process and trusts that the RET is retained, fine tuned, and extended to ensure the ongoing benefit of renewable energy in the new, clean economy. If done well the Review will deliver benefits for businesses and employees, especially in regional Australia, for households to assist in meeting their energy needs from a renewable source and create the driver for a complete rethink of the way energy is produced and used in this country.

**Yours sincerely,**

**Brian England**
**National Chairman, SEIA**
**Ph: 02 6562 7704**