Hon Bryan Green MP
DEPUTY PREMIER

Level 10, Executive Building
15 Murray Street, Hobart, TAS 7000 Australia
Ph (03) 6233 6454 Fax (03) 6233 2272
Email bryan.green@dpac.tas.gov.au

Tasmania

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Submissions
Climate Change Authority
GPO Box 1944
Melbourne VIC 3001

The Tasmanian Government welcomes the opportunity to provide comments to the Climate Change Authority's 2012 *Review of the Renewable Energy Target (RET).*

This scheme is very important to the development of renewable energy in Australia. The Tasmanian Government has consistently supported the objective of a significant, efficient and orderly expansion of renewable energy in Australia.

The Tasmanian Government supports the principles in the current scheme - to encourage the additional generation of electricity from renewable sources, reduce carbon and other greenhouse gas emissions in the electricity sector, and ensure that renewable energy sources are environmentally sustainable. Reducing emissions from the electricity sector is essential for any successful strategy to reduce Australia's overall carbon emissions.

The Tasmanian Government considers that the Large-scale Renewable Energy Target (LRET) part of the RET is an effective complementary policy to the Australian Government's Carbon Pricing Mechanism. The Tasmanian Government strongly supports maintaining the LRET scheme in its current form to provide investment certainty to Australian renewable energy.

In the case of the Small-scale Renewable Energy Scheme (SRES), the Tasmanian Government notes there are issues arising from an uncapped scheme with a fixed price, particularly when support for small scale renewables uptake is also provided by a range of other measures at various levels of government. This creates industry uncertainty and unnecessary costs that are not in keeping with the long term interests of Australian energy consumers and taxpayers.

However, mindful of the need to maintain industry certainty in the small scale renewable energy technology sector, the Tasmanian Government recommends no immediate changes to the SRES and that any future changes are made in the context of a considered and consistent overall strategy for supporting this sector and with adequate notice to industry and the public.

The Tasmanian Government further considers that the RET should be part of a consistent and integrated suite of policies for energy in Australia that includes programs aimed at supporting new technology development and promoting greater energy efficiency.

Yours sincerely

Bryan Green MP
Minister for Energy and Resources

General comments

Thirty seven percent of Australia's current greenhouse gas emissions are associated with electricity generation[1]. This is the largest single sector contributing to Australia's emissions profile. The Australian Government has a long term emissions reduction target of 80 per cent below 2000 levels by 2050[2]. In order to reach this target, it is clear that a fundamental shift in Australia's electricity generation mix is required. Given the long lead times and long lifetimes of most electricity generation investments, this transition needs to gain momentum and be sustained for many decades.

The question then becomes - what is the most sensible and cost effective way of achieving this?

The Tasmanian Government suggests that there are three high level principles that could be usefully applied when reviewing the current Renewable Energy Target (RET) scheme and its capacity to contribute to the above objective:

1. The design of the RET scheme should facilitate investment in the most cost competitive forms of renewable energy technologies, sufficient to meet the RET scheme targets at least cost.
2. Any scheme designed to provide incentives for renewable energy investment needs to provide long term investment certainty.
3. The RET scheme should be kept simple and targeted. Eligibility under the RET scheme should be limited to renewable energy technologies which generate electricity. Displacement technologies, such as solar hot water, should be moved to alternative schemes (such as the Australian Government's proposed "Energy Savings Initiative" scheme). Likewise, support for generation based on waste coal mine gases should be transferred elsewhere.

The Tasmanian Government sees the Australian Government's Carbon Pricing Mechanism and the Large-scale Renewable Energy Target (LRET) scheme as being complementary. A carbon price facilitates investment in least cost carbon abatement measures (such as energy efficiency measures) and increases the cost of emissions intensive electricity generation, while the LRET scheme drives investment in renewable energy technologies in a cost effective manner. Together, a carbon price and the LRET scheme complement each other in facilitating the necessary transition to a less emissions intensive electricity generation sector. On its own, a carbon price would need to be in the order of at least $60 per $tCO_{2\text{-}e}$ to stimulate widespread investment in renewable energy[3]. This would drive up the price of electricity quite significantly. However, a targeted scheme such as the LRET can deliver significant renewable energy deployment without the same large increase in the carbon price and wholesale market electricity prices. The support goes directly to where it is needed in an efficient fit-for-purpose market mechanism. The overall costs to consumers are kept down.

Regarding small scale renewable technologies, there are multiple and varying schemes currently supporting their deployment. These include the Small-scale Renewable Energy Scheme (SRES), various state based Feed-in-Tariff (FiT) schemes - largely to support micro solar PV, and various state and local government rebates - largely to support Solar Hot Water (SHW). The state based schemes vary in the level of support provided and have been erratic over time, as have Australian government schemes.

[1] Australian Government, *Securing a Clean Energy Future*, 2011, page 11.
[2] Australian Government, *Securing a Clean Energy Future*, 2011, page 15.
[3] Based on an average NEM wholesale market price of $30 to $40 per MWh prior to the introduction of a carbon price, and a levelised cost of electricity generation from wind (the cheapest form of renewable electricity generation) commencing at around $100 per MWh (Wood, A., Edis, T., Morrow, H. & Mullerworth, D., 2012, *No easy choices: which way to Australia's energy future?* Grattan Institute, Melbourne.)

Unlike the LRET, these schemes do not complement the Carbon Pricing Mechanism. Rather, they could be considered as "additional" measures, with no mechanism to allow for adjustment in the level of overall support to ensure deployment at efficient cost. This is compounded by the SRES effectively offering the same Small-scale Technology Certificate (STC) price regardless of what other support mechanisms are also providing.

The lack of overall coordination between support measures can result in overlapping stimuli, as experienced recently with the combination of falling photovoltaic (PV) technology costs, generous FiT arrangements in some states, and the SRES solar credits multiplier. The end result was a high level of deployment in those states with the generous FiTs, but at substantial and unsustainable level of cost to other consumers (including those in Tasmania, where the average household uses more electricity than the average Australian household) and/or the relevant state budgets.

The Tasmanian Government:

- strongly supports maintaining the LRET scheme in its current form (with minor modifications at most);
- recommends keeping the SRES scheme as is for the time being, but that a comprehensive review of how best to support small scale renewable technologies be undertaken and used to reform the SRES at the next point of review;
- recommends that the RET be restricted to technologies that generate electricity from renewable resources, with support for technologies that produce heat or reduce the need for fossil fuelled energy being considered for support via other policies.

Responses to specific questions on Large-scale Renewable Energy Target

1. *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?*

Yes, the existing 41,000 GWh LRET 2020 target and the interim annual targets are appropriate. A key strength of the LRET is that it provides long term investment certainty (refer principle 2 above) through having legislated annual targets over the life of the scheme. Reducing the targets would weaken investor confidence, and may result in lower than anticipated Large-scale Generation Certificate (LGC) returns to existing renewable energy generators installed under the original targets due to lower demand for LGCs. Reducing the targets would also delay the necessary transition to a less emissions intensive electricity generation sector.

2. *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?*

As highlighted in the Issues Paper, analysis by the Australian Energy Market Commission (AEMC), Commonwealth Treasury and the Australian Energy Market Operator (AEMO) indicates the LRET 2020 target is likely to be met through a combination of the LRET and a carbon price. The required level of capacity is dependent on the capacity factors of the deployed technologies and the extent of network constraints at the connection point. Deployment driven by the LRET to date has undoubtedly laid the foundation through developing the necessary skills and experience which will assist further deployment of renewable energy technologies in Australia.

3. *In the context of other climate and renewable policies, is there a case for the target to continue to rise after 2020?*

Yes. Australia needs to significantly reduce the emissions intensity of its electricity generation sector to have any chance of meeting the Government's 80 per cent emissions reduction target by 2050. A 20 percent contribution from renewable energy toward overall electricity supply requirements in 2020 will be an important stepping stone towards meeting this target, but the momentum will need to be maintained. The LRET scheme is a proven and cost effective mechanism for achieving large scale renewable energy deployment. The costs and benefits of a change in the target beyond 2020 need to be carefully considered in due course and in the context of the carbon pricing mechanism and other emissions reduction policies, but for the time being the emphasis should be on maintaining consistency in the policy approach.

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

Yes, for the reasons outlined in the Tambling Review of the previous RET scheme in 2003. It is important the target is fixed so that it provides long term investment certainty (refer principle 2 above).

5. *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?*

No, the target should not be revised to reflect changes in energy forecasts, again for the reasons outlined in the Tambling Review. Revising the targets will erode investor confidence (refer principle 2 above).

6. *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 appropriate to allow Clean Energy Finance Corporation (CEFC) funded projects to be eligible for LGC creation under the LRET scheme. It is envisaged that LGC eligibility will be taken into consideration as a revenue stream when determining the level of assistance provided to CEFC funded projects.

The LRET target should remain unaltered in regard to additional LGCs created by CEFC funded projects. The impact is likely to be a broadening of the renewable energy technology mix supported under the LRET, whilst still meeting renewable energy generation targets. A broadening of deployed renewable energy technologies can be seen as strengthening Australia's energy security. For example, it will broaden Australia's skill base and allow greater responsiveness to future technology advancements and cost reductions associated with CEFC funded technologies.

Assuming an increasing proportion of renewable energy contribution towards Australia's electricity requirements post 2020, it is likely CEFC funded projects would simply defer, rather than replace, displaced non-CEFC funded renewable energy projects.

7. *Is the calculation of individual liability using the Renewable Power Percentage the most appropriate methodology?*

The methodology is a reasonable way of determining individual liabilities and should not be altered.

8. *Is it appropriate to set the Renewable Power Percentage by 31 March of the compliance year?*

The 31 March of the compliance year is a reasonable date to set the Renewable Power Percentage.

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

There is no conclusive evidence that the shortfall charge is currently set too low to ensure the 2020 target is met with the Carbon Pricing Mechanism also in place. The setting of the shortfall charge should be reconsidered every few years as part of the RET review process.

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

No comments.

11. What are the costs and benefits of the current exemption arrangements? Are they appropriate?

Emissions Intensive Trade Exposed (EITE) industries will benefit from success in the development of an efficient and orderly expansion of renewable energy in Australia, and greater sustainability in general. Australia is blessed with significant natural advantages in many forms of renewable energy, and not only in its endowments of coal, gas and uranium. However, it is appropriate that EITE industries are eligible for partial exemption from RET liabilities if the counterfactual is a loss of business to other countries. The level of exemptions available to EITE industries should be reassessed every few years as part of the RET review process to ensure the contribution made by EITE industries toward meeting RET liabilities is maximised without unreasonably compromising Australia's market competitiveness.

12. The self-generator exemption pre-dates the emissions intensive, trade exposed partial exemptions – are both required? If so why?

Both exemptions are not required. If a self-generator is also EITE, then it should receive a fair level of exemption under the EITE exemption scheme. Otherwise its level of RET liability should be no different to facilities which import their electricity from the grid. All users of electricity, grid connected or not, stand to benefit from developments in renewable energy technologies and economies of scale in their deployment.

13. 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?

In general terms the LRET should be left alone.

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

Yes. The list approach provides sufficient scope for deployment of a range of renewable energy technologies and the current list is supported by the Tasmanian Government, including all forms of sustainable biomass.

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

The current regulations include adequate provisions for adding further renewable sources to the list.

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

Waste coal mine gas should not be included in the RET as it is not a renewable energy resource (see principle 3 above). As highlighted in the Issues Paper, the Renewable Energy Act specifically states that fossil fuels are not eligible renewable energy sources. There are good reasons to prevent waste coal mine gas from entering the atmosphere, but this objective should be supported in other ways.

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

No comments.

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

Yes. The LRET accreditation and registration procedures appear to be appropriate and working efficiently. The LRET scheme operates with very low administrative overheads in proportion to the value of LGCs created under the scheme.

Responses to questions on Small-scale Renewable Energy Scheme

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

Separating small scale renewable technologies and large scale renewable technologies into different schemes was necessary in order to remove the unintended consequences of the differing incentives for small scale and large scale technologies. The REC market became flooded with certificates from small scale technologies and this had the perverse outcome of depressing the REC price and reducing investor confidence in large scale technologies.

Removal of small scale technologies and their different REC creation rules has laid the foundation for an effective and efficient LRET scheme for large scale technologies. As discussed in the Issues Paper, it is considered that the LGC price still remains depressed due to the backlog of RECs created by small scale technologies under the previous RET arrangements. It is anticipated that as this backlog clears, the LGC price will more accurately reflect the price difference between the long run marginal cost of the most cost effective large scale renewable generators and average wholesale electricity prices. The LRET will then drive large scale renewable energy deployment at an efficient cost.

The same cannot be said of the SRES scheme. The design of the SRES scheme does not result in small scale renewable energy deployment at an efficient cost. There are fundamental design flaws within the SRES scheme which will be discussed below.

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

Small scale renewable technologies should continue to be supported as they:

- Increase the ability of Australia to meet current and future renewable energy targets through inclusion of relatively new and rapidly expanding market sectors involved with energy supply and consumption;
- Have fostered a relatively new and expanding industry sector associated with sales, design and installation. This sector has been subject to “boom and bust” cycles in the past which should be avoided going forward to ensure the viability of the sector;
- Increase community awareness, understanding and involvement in renewable energy, energy supply and energy efficiency; and
- Add diversity to the renewable energy generator mix which increases energy security and allows the market to be more responsive to future technology changes.

It is important, however, that support schemes deliver small scale renewable technology deployment in a sensible and cost effective manner.

3. Is the uncapped nature of the SRES appropriate?

The uncapped nature of the SRES scheme has proved to be inappropriate. In essence, the level of liability under the SRES scheme is driven by the level of uptake of small scale renewable technologies, unlike the LRET scheme where the level of liability is driven by increasing annual targets. This leaves the SRES scheme vulnerable to “blow-outs” in liability and associated costs if levels of uptake are higher than anticipated. This has been the experience of the SRES scheme to date, with significantly higher than anticipated levels of uptake of solar PV, driven by rapidly falling PV technology costs, the SRES solar credits multiplier, and generous state FiT schemes all acting together to overstimulate the sector in an unsustainable way.

In the absence of annual caps, similar cost "blow outs" could occur again in future. Such circumstances may occur with each or any combination of falling PV technology costs, rising electricity costs, and overgenerous FiT schemes. The level at which the target/cap profile should be set is a separate matter.

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

See response to previous question. An uncapped scheme can result in high levels of renewable energy deployment, but at an inefficient cost.

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

There have been high levels of investment in micro-scale grid connect solar PV technologies since 2009, which can be attributed to a combination of rapidly falling PV technology costs, the commencement (from 2008 to 2011) of various state and territory FiT schemes and the expanded RET scheme and subsequent SRES scheme. The absence of one of these contributing factors would have resulted in lower levels of deployment than actually occurred. Evidence of this is lower levels of solar PV deployment in those states with less generous FiT schemes.

The enhanced RET and SRES schemes have clearly been a contributing factor to driving solar PV investment, particularly with the availability of the solar credits multiplier. Evidence of this is the high spike in applications received immediately prior to cut-off dates for reductions in the solar credit multiplier.

The pattern of investment in SHW technologies has contrasted with that of solar PV. Levels of investment in SHW were relatively high up until around 2009, and significantly higher than solar PV investment, but have declined since that time, and are now significantly lower than solar PV investment levels. Contributing factors are that SHW technology costs have not fallen as fast or far as they have for solar PV, Commonwealth rebate programs for SHW have been reduced and SHW was not given multiple credits.

The SRES has not stimulated significant investment in other small scale renewable electricity generation technologies such as micro hydro and micro-wind turbines. These are generally more costly technologies or are limited by site suitability. Small scale bioenergy is very fragmented and often better suited to producing heat or fuel.

The rapid rise in micro-scale grid connect solar PV technology deployment has fostered a correspondingly rapid industry sector expansion associated with solar PV sales, design and installation. Historically this sector has been subject to significant "boom and bust" cycles associated with changes to government support schemes. These cycles continue to some extent under the SRES scheme when there are reductions in the solar credits multiplier. It is important that the potential for such future "boom and bust" cycles is minimised in the design of future support schemes, in order to minimise industry development impacts.

6. What is the appropriate process for considering and admitting new technologies to the SRES?

The current process of considering new technologies for eligibility under SRES as a part of the recurrent RET reviews is considered appropriate.

7. Should any additional small-scale technologies be eligible to generate small-scale technology certificates?

As long as the technology utilises an eligible renewable energy source and generates electricity, then they should not be precluded from being considered for eligibility (see principle 3 above).

8. Is it appropriate to include displacement technologies in the SRES?

Displacement technologies should not be included under the SRES for the reasons outlined in the Issues Paper and in agreement with COAG's "Review of Specific RET Issues" recommendation. The RET (and subsequent LRET and SRES) scheme is designed to support additional renewable electricity generation. Admitting additional displacement technologies could overload the scheme. Technologies which displace electricity usage are more appropriately considered as energy efficiency technologies and would be better supported in other ways, such as the Commonwealth Governments proposed "Energy Savings Initiative".

SHW and air to water heat pumps are currently included as eligible technologies under the SRES. It would be more appropriate for these technologies to be gradually removed from eligibility and supported in other ways.

9. Should additional eligible technologies under the SRES be limited to generation technologies?

Yes. Refer to response to the previous question.

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

It is a reasonable approach. In effect, deeming provides an up-front rebate to SRES participants. From an administrative perspective, this is a simpler and more effective arrangement than requiring SRES participants to claim STCs on a continuous basis based on actual generation.

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

The more generous deeming arrangements for solar PV (able to deem for 15 years up front) compared to micro-wind and micro-hydro (able to deem for 15 years in total, but only in 5 year maximum blocks) does tend to favour solar PV and are contradictory to the technology neutrality principle of the RET. Notwithstanding this, rather than making minor adjustments to the design of the current SRES scheme it is preferable to undertake a broader review of how small scale renewable technologies are best supported overall and then to provide this support in a steady, coherent, consistent and holistic overall approach.

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

The solar credits multiplier was introduced as a replacement for the rebates available under the Commonwealth Government's Solar Homes and Communities Plan and the Renewable Remote Power Generation Program. The solar credits multiplier attempted to provide a similar level of support to facilitate investment, with the reduction schedule attempting to mirror future reductions in solar PV technology costs. The multiplier reduction schedule has not accurately reflected falling technology costs, and together with generous FiT schemes in some states, resulted in overgenerous support for solar PV which benefited some people at the expense of others. Furthermore, the stepped nature of the reduction schedule has perpetuated the erratic cycles of investment in small scale renewable technologies, particularly solar PV, where there is a spike in investment immediately prior to a significant step reduction in support, in this case a reduction in the multiplier, followed by a lull until the next reduction. A more refined approach than the RET solar credits multiplier is required to ensure appropriate and efficient levels of small scale renewable technology support.

13. Is the Small-scale Technology Certificate Clearing House an effective and efficient mechanism to support the operation of the SRES?

Since the commencement of the SRES scheme, there has been an oversupply of STCs caused by underestimation of the level of small scale renewable technology deployment and consequently underestimation of the Small-scale Technology Percentage (STP) and SRES liabilities. This has created a lag effect which still remains with STC supply exceeding STC liability. The oversupply has resulted in the secondary STC market price being significantly lower than the set $40 Clearing House price. The combination

of oversupply and a set Clearing House price has, to date, reduced the effectiveness of the Clearing House as a mechanism for clearing STCs.

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

There is a current backlog of approximately 6 million STCs in the Clearing House. The implications of this should be considered in light of the recommendation to design a support scheme that delivers small scale renewable technology at most efficient cost. The design of the SRES, including Clearing House arrangements, should remain in place for the time being while a broader review is carried out.

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

The $40 guaranteed price available through the Clearing House provides a reference for the secondary STC market. With the current oversupply of STCs in the Clearing House, the secondary market price of STCs has been well below $40. Without the oversupply of STCs in the Clearing House, it is likely the secondary market price would be higher. It is unclear if the $40 guaranteed rate in the Clearing House will be an appropriate cap, particularly if solar photovoltaic technology costs continue to fall.

The SRES effectively offers access to the same STC price regardless of location. However support provided through other mechanisms, such as FiT schemes, varies depending on location, with some state jurisdictions offering more generous FiTs than others. The SRES currently includes no mechanism to compensate for differing levels of jurisdictional support to ensure small scale renewable technology deployment at efficient support costs.

16. Are the SRES administration arrangements appropriate and working efficiently?

No comments to offer.

Diversity of renewable energy access

1. Should the RET design be changed to promote greater diversity, or do you think that, to the extent that there are barriers to the uptake of other types of renewable energy, these are more cost-effectively addressed through other means?

From its commencement, the RET has attempted to increase diversity by supporting renewable technologies other than the most cost-effective renewable technology by including provisions which increased the level of support available to relatively more expensive small scale renewable technologies. These provisions have included deeming arrangements, solar credits multipliers and the creation of a separate SRES scheme. The RET is a poor mechanism for attempting to increase diversity in the renewable energy supply mix as fundamentally it is designed to drive investment in the most cost effective renewable energy technologies. Tampering with the fundamental design of the RET by including these additional provisions to support small scale renewable technologies has skewed the effectiveness of the scheme due to the difficulty of providing an efficient level of support that can adjust over time. This is evidenced by the flooding of the market in 2009 and 2010 with RECs created by SHW and solar PV, which depressed the REC price and hindered investment in least cost renewable energy technologies such as large scale wind. This decreased the overall effectiveness of the RET in driving investment in renewable energy technologies at least cost and led to the creation of the separate LRET and SRES schemes.

There is a case for promoting diversity in Australia's renewable energy mix on strategic grounds through deploying emergent renewable technologies which, while they may be expensive today, may become significantly cheaper and dominant technologies in the future. Greater diversity also strengthens Australia's energy security position by reducing reliance on single technologies.

The experience to date indicates the RET mechanism is not particularly good at supporting multiple technologies which are at different stages of development. Alternative mechanisms should be considered to support infant technologies that may hold promise in terms of achieving diversity and longer term cost efficiency in Australia's renewable energy mix. The roles of the Australian Renewable Energy Agency and the Clean Energy Finance Corporation are relevant to this consideration.

2. What would be the costs and benefits of driving more diversity through changes to the RET design?

See response to the previous question.

Comments on Review frequency

1. What is the appropriate frequency for reviews of the RET?

The SRES should be reviewed again in two years but it seems unnecessary and detrimental to investor confidence to subject the LRET to an open ended review every two years. To increase investor confidence, each review should recommend a subsequent review as far out as appropriate, and with a scope that is limited in extent. Any changes should not have a material detriment to investments already undertaken.

2. What should future reviews focus on?

Refer to comments above. A key challenge is to create suitable support for small scale renewable technologies that is sensible, sustainable and cost efficient. Another is to ensure that the scheme continues to provide investor confidence and efficient levels of investment in renewable energy generation as part of a consistent and integrated suite of policies for energy in Australia.

Summary and Recommendations

LRET
From an overall perspective, the LRET scheme is operating well and the Tasmanian Government considers it to be an effective mechanism for driving efficient renewable energy investment, sufficient to meet the 2020 target. The fundamental design of the scheme is considered appropriate and requires no change. There are a number of relatively minor existing inefficient and/or inequitable provisions which should be amended, as discussed in responses to the specific questions raised in the Issues Paper. Importantly, the existing targets should not be altered, except perhaps to consider an increase in the LRET target beyond 2020. Long term investment certainty is critical for the success of the scheme.

SRES
There is a lack of coordination between overlapping support measures such as the SRES and FiT schemes for assisting small scale renewable technology deployment which, combined with falling solar PV prices, has resulted in a flood of investment but with overall inefficiency, some inequity and a legacy of electricity prices that are higher than they should be. It is recommended that the SRES scheme continues in its current form over the next two years, and that during this time a separate review is carried out with the purpose of designing a comprehensive approach that delivers small scale renewable technology deployment at efficient cost. Any changes to the SRES scheme could be considered as part of the next RET review.

If there are any questions regarding the detailed comments in the attached submission, an appropriate first point of contact is: Tony van de Vusse, Director, Office of Energy Planning and Conservation, Department of Infrastructure, Energy and Resources, ph 03 6233 6307 or email tony.vandevusse@dier.tas.gov.au.