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The Renewable Energy Sub Group Secretariat
Renewables, Offsets and COAG Branch
Department of Climate Change
GPO Box 854
CANBERRA ACT 2601

RET@climatechange.gov.au

ABN: 16 549 616 697
WA Sustainable Energy Association
Home Ideas Centre, City West
PO Box 1483
WEST PERTH BC 6872
Phone: (08) 9481 3169
Fax: (08) 9481 3119
ceo@wasea.com.au
www.wasea.com.au

Comments on the Renewable Energy (Electricity) Amendment Bill 2008 exposure draft legislation

The Western Australian Sustainable Energy Association Inc. (WA SEA) is the peak industry body for sustainable energy in WA.

WA SEA is building relationships with businesses that aspire to be more sustainable in their own energy use, or are providing the commercial solution to climate change through their products and services inclusive of businesses offering or using services and products that manage or offset greenhouse gas emissions in transition to sustainable energy use, or indirectly through their actions adopting more sustainable energy practices in their own business. WA SEA has a strong reputation in Western Australia for authoritative commentary on a broad range of issues around energy efficiency and sustainable energy.

Many businesses are acting to support the development of the best policy outcomes for the industry by becoming WA SEA members. WA SEA has over 215 industry members from a diversity of enterprises including the majority of the key energy players in Western Australia. This range of companies, businesses, organisations and individuals are involved in sustainable energy practices and including energy efficiency across government, business and the community in: infrastructure; architecture and design of buildings and homes; transport; performance of appliances, vehicles, machinery, and industrial processes; use of renewable energy generation including passive use and solar hot water.

WA SEA is the only business peak body actively supporting action on sustainable energy in Western Australia.

Information about our activities (including our submissions and Media Releases) can be found on WA SEA's website: www.wasea.com.au.

WA SEA Corporate members



WA SEA offers the following comments on the Renewable Energy (Electricity) Amendment Bill 2008 exposure draft legislation.

1. Providing Incentives for Investment in Renewable Energy Projects across Australia.

- The purpose of the Renewable Energy Target scheme is to provide long-term stable incentives for investment in new renewable energy projects in Australia and must be functionally inclusive of Western Australia. Western Australia currently lags well behind the national average for electricity generation from renewable sources. It is important for Western Australia's energy security, market diversity and ultimate sustainability that projects are created across the State.
- An important component must be bankability of projects and reliability to Renewable Energy Certificate (REC) values such that investors are enabled by RET to secure funding from lending organisations with strong financial projections on additional revenue for renewable energy project proposals. One mechanism that WA SEA believes has merit is providing a "floor" in REC value. One mechanism that WA SEA believes has merit is providing a "floor" in REC value, although other approaches, such as such as gross feed-in tariffs for commercial scale projects, can provide a greater certainty for investment, which is a key issue in the current global credit crisis.
- Greater transparency in REC trading and energy contracts will also aid in investor confidence and market establishment.

2. Eligible Sources

- Review of eligible sources is required to determine the "real" benefit of each technology. WA SEA members agreed that current regulations may bias to some technologies, and a means of ensuring the greatest community benefit and economic stimulus, particularly assessed through life cycle assessment, must be developed.
- Landfill gas energy, by also dealing with methane emissions, has a stronger value than simply a provision of renewable energy, and a means of ensuring that methane from land fill is not simply flared through obligations under the Carbon Pollution Reduction Scheme, but rather is also incentivised to create a renewable energy source. One mechanism might be to direct comparable "multiplying" benefit as small scale PV receives under the Solar Credits system,

3. Banking of RECS

- No comment, WASEA supports Draft Legislation

4. Project Eligibility Periods

- No comment, WASEA supports Draft Legislation

5. Treatment of Existing Generators to support early movers

- WA SEA believes that any changes to the RET scheme must maximise the increase in new renewable energy capacity without compromising existing generators.
- WA SEA's general consensus of members is that existing generators must not be excluded from the new RET scheme if the generator is expanding or increasing capacity.
- Although this position may allow some short-term windfall it will result in overall long-term growth in renewable energy.

6. Compliance Mechanisms

- The current \$40/MWh value has been set for nine years – commodity prices have risen strongly since then. There is a case for setting a significantly larger penalty rate, and WA SEA supports

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30% energy generation from sustainable sources and 30% reduction of existing use through energy efficiency by 2030

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WA SEA promotes the development and adoption of sustainable energy technologies and services that minimise the use of energy through sustainable energy practices and maximise the use of energy from sustainable sources.

a REC shortfall penalty value that is consumer price indexed (CPI). In Western Australia we have seen the negative impacts of maintaining energy prices at artificially low prices – electricity generation should be cost reflective, as should the shortfall penalty.

- Historically no liable entity has been charged with a shortfall penalty. This indicates the willingness of entities to pay the market value of RECs even above the penalty value. However this should not be used to justify fixing penalty value under inflation values.
- One concern is that if capacity credit costs are simply passed through to the end customer as an additional cost, particularly in the case of short-fall penalties resulting from inaction, then the end customer may end up paying for the inaction or ineffective action of the supplier. If these kind of costs are commonly and successfully passed on, then there may be little incentive left for change.

7. Scheme Review Regulations

- WASEA supports Draft Legislation

8. Scheme duration and phase out

- WASEA strongly supports the increased uptake of renewable energy. Although the CPRS is intended to replace the requirement for a RET scheme we believe the RET scheme should be continued rather than phased out. The purpose of the RET is separate to and should be independent of the CPRS. The RET is an industry development target, and its primary purpose must be about new jobs, new projects across Australia and is well timed now to assist the nation recover from the global downturn. The CPRS is a polluter-pays-principle to provide an fiscal incentive for industries to reduce greenhouse gas emissions
- If the CPRS encourages rapid growth in renewable energy the value of RECs will decrease reducing the “double dipping” situation. However if the CPRS is not as effective as anticipated in ensuring renewable energy developments the RET scheme will be critical.

9. Treatment of Small Scale RE Systems:

- WASEA has some concern that some technologies will be unfairly treated with the REC multiplier proposal.
- The concept is considered beneficial as it will aid in the rapid deployment of certain renewable energy industries that will ultimately become more streamlined and cost effective.
- The level of multiplier and selected technologies should be reviewed as its effectiveness is ascertained and new technologies are considered.

Yours sincerely



Dr Ray Wills

Chief Executive

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