

Response to the Discussion Paper on the introduction of a Feed in Tariff in Western Australia .

A Submission to
The Sustainable Energy Development Office

Prepared by

**The WA Sustainable Energy
Association Inc.**

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1. Executive Summary

The Western Australian Sustainable Energy Association Inc. (WA SEA) is a member-based organisation representing enterprises with a commercial interest in sustainable energy across the entire energy efficiency and renewable energy value chain.

WA SEA has undertaken consultation with members on the proposal for the introduction of a Nett Feed-in Tariff in Western Australia. WA SEA members are fully support the introduction of a feed-in tariff scheme as the best market-based measure for the purpose of increasing uptake of renewable energy generation at small scale in WA.

WA SEA is qualified in its support of the introduction of a feed-in tariff due to concerns on the potential for the introduction of a scheme whose structure and implementation will not create conditions for achieving the policy objectives for its introduction. One of these issues is a decision by the Western Australian Government to swap to a Nett rather than Gross feed-in tariff as well as the assumptions underlying why such a mechanism was selected.

Another challenge is that current Federal measures of support have been inconsistent and failed to provide certainty, and complicated with measures from state governments, such as the dramatic increase of deemed Renewable Energy Certificates (REC) in relation to programs to roll out solar hot water systems that has significantly negatively impacted REC market pricing and so the potential for creating electricity from renewable energy.

The Discussion Paper released by SEDO on this matter sought to ask a series of questions on the introduction of a FiT. However, WA SEA contends the questions are based on a set of assumptions on how a feed-in tariff mechanism should be structured that would deliver less than optimal policy outcomes.

A well-structured feed-in tariff has been internationally recognised as the optimal mechanism for increasing renewable energy adoption at the lowest social and economic cost. WA has an excellent opportunity to develop a world-class feed-in tariff mechanism to promote renewable energy adoption, and WA SEA wishes to see the WA Government adopt such a system for the benefit of all Western Australians. Utilising learning from overseas experience on successes and failures in feed-in tariff policy, WA SEA has developed a set of recommendations based on research and member feed-back that we believe will achieve these outcomes.

WA SEA's recommendations for the feed-in tariff structure and implementation are:

1. That the WA Government proposed Feed-in Tariff mechanism be based on a Gross Feed-in model and not a Nett Feed-in model.
2. The use of a Nett Feed-in mechanism has been shown by research and experience to produce sub-optimal outcomes and not be cost effective.
3. Globally, policy research and industry experience support a Gross FiT as the most cost effective mechanism for stimulating small scale renewable energy generation at "least cost" to Governments and society.
4. The FiT scheme should be technology neutral and not discriminate against any potential renewable technology.
5. Simple rules can be introduced to test as to whether a system is eligible for FiT payments.

6. FiT payment rates should vary based on the technology generating the electricity sold back to the grid.
7. Multiple source generators will need to have “deemed” production allocations in their FiT contract.
8. A broad base of residential- type tariffs should be eligible for payments including:
9. Recipients of FiT payments should be required to purchase renewable energy (e.g. Green Power type products) to remain eligible for FiT payment.
10. The FiT scheme should commence in 2010 and operate for a minimum of seven (7) years.
11. Reviews of the scheme should not be more frequent than five (5) years.
12. FiT contract between small scale generators and utility companies should operate for a minimum period of fifteen (15) years.
13. Degression rates for FiT payments should only be enacted if a Gross FiT mechanism is used.
14. Degression rates should vary by technology only where the FiT payment rate is technology dependent.
15. A single degression rate *should not* be applied across all technologies.
16. The calculation of degression rates should discount technological innovation drivers and be based on actual rates of change of market prices.
17. The calculation of a degression rate also needs to account for fixed or increasing costs as part of the cost of ownership e.g installation costs.
18. The FiT payment rate should be between 40 and 50 c per kWh.
19. Costs of the FiT should be based on a market-based levy due to the externalities and social benefits from avoided and deferred costs.
20. Funding FiT payments should avoid utilising consolidated revenue or a levy (tax) mechanism.
21. The Fit scheme is not a panacea; a coordinated approach to the support of renewable energy adoption is required to ensure successful adoption. This includes policy setting across all levels of government and government enterprises.

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2. Introduction

The introductions of feed-in tariff (FiT) mechanisms have become a common method for governments to address the market failure in the uptake of renewable energy generation, at both a domestic and commercial level¹. This is partly due to the success seen in the uptake of renewable energy in Europe through the implementation of FiT schemes, particularly in Germany, have had a significant annual growth (53% annually) and concomitant increases in industry positioning².

One reason for market failure in the renewable energy industry is price disparity between conventional fossil fuels and many renewable energy technologies. There are a number of historical reasons for this, but one of the key issues is WA is that the market price for fossil fuel based generation is heavily subsidised by Government owned generator and therefore electricity prices are not reflective of the cost of generation. This has created a distorted market and subsequent market failures due to this policy continuation over successive Governments.

Through the introduction of a FiT mechanism to encourage the uptake of renewable energy generation is the proposed manner of addressing this market failure in WA. WA SEA sees the potential in industry and jobs growth, as well as emissions reduction, in Western Australia through the introduction of an appropriate FiT mechanism. As there is a broad selection of case studies globally on FiT schemes and where they have both succeeded, as well as failed, there is the opportunity for WA to implement a world class FiT mechanism.

Failure to develop a FiT that can be seen as “best of breed” means that time, money and opportunities would be wasted in the implementation of a less than ideal policy structure. The economic cost of implementation of a policy that has been shown not to work in other other locations, in economic and environmental terms, would significantly delay the likelihood of WA achieving its stated emissions reductions targets. Furthermore, utilising a market-based mechanism for payment, as even a gross FiT can be introduced at minimal direct cost to the Government through the use of market based mechanisms³. Of course, this issue of “cost” is a relative issue, compared for example to the cost of doing nothings or adopting an ineffective mechanism as has occurred in the UK⁴.

The Discussion Paper released by the Sustainable Energy Development Office (SEDO) asks a number of questions in relation to the structuring and administration of a FiT mechanism. However, WA SEA is of the opinion that a large number of underlying assumptions for these questions are designed to deliver less than optimal policy outcomes. As such, this submission addresses the substantive issues that lie behind the questions and query the assumptions made at both administrative and political levels in order that the introduction of a FiT mechanism in WA is not only able to achieve policy outcomes in emissions reduction but are also able to achieve fair and equitable outcomes for all stake holders at the least cost required to achieve them.

1 Mendoca, M (2007) *FiT for purpose: 21st century policy*, Renewable Energy Focus July/August 2007, pp 60-62

2 The ClimateWorks Foundation (2009), *Enabling technologies for low carbon growth*, p14

3 Mendoca, M (2007) op cit

4 Mendoca, M (2007) op cit

3. Design of a Feed in Tariff

WA SEA is a strong supporter of the introduction of an effective feed in tariff (FiT) mechanism in the Western Australian electricity market, on the understanding that such a program needs to take into account multiple factors in relation to design, implementation and operation.

Due to the history of FiTs being introduced globally to encourage the uptake of domestic renewable energy, WA SEA is of the opinion that the Western Australian Government has the opportunity to introduce a world class FiT system as part of its domestic energy policy. As such, it is important that we learn the lessons of other programs' design, implementation and outcomes and measure our success against such overseas benchmarks. However, such benchmarks are dependent on the policy objectives of the program.

Europe is considered the global “test bed” for renewable energy policy, with 20 of 27 EU countries and three non-EU countries adopting FiT programs^{5,6} The evaluation of the lessons learned in Europe and there subsequent applications to WA, will provide an optimal program to achieve intended policy outcomes while minimising unintended consequences.

The FiT design is a complex issue and covers an extensive number of areas, and all of these need to be taken into account when designing the system. However, as these factors are co-dependent and changing one, without reference to related issues, there is a significant possibility that there may be unintended consequences and potential policy failure, as occurred in Denmark⁷. The consideration of duration, tariff rate and tariff type were noted as being inextricable linked in a report by the NSW Taskforce on the introduction of the NSW FiT Scheme.⁸

3.1. Primary and secondary considerations in FiT design

WA SEA has undertaken research into the complexity and interrelationship of factors involved in the development of a FiT mechanism. We have found that the mechanisms are a complex web of interdependent factors and that changes in one aspect impacts other factors and that single issues cannot be addressed without reference to others. The complexity of these has been clearly set out in a report for the California Energy Commission that cites all relevant aspects of FiT design⁹.

As such, the structure of this submission addresses these interdependent factors, not in the manner of the questions set out in the SEDO Discussion Paper, but rather as a set of recommendations for an appropriate and effective FiT mechanism aimed at achieving renewable energy target for the Western Australian electricity market.

When determining the applicable rate, most EU countries that apply feed-in tariffs use the concept based on electricity generation costs to determine the level of support provided¹⁰. As such, the cost of energy generation is varied dependent on which generation technology is used.

Other factors to be considered in the setting of the FiT rate include:

- The policy objectives for the Scheme e.g. uptake of renewable energy to reach a mandated minimum renewable capacity;

5 Kema Inc (2008) *California Feed in Tariff Design and Policy Options*. California Energy Commission. Publication number: CEC-300-2008-009D.

6 Fraunhofer ISI, EEG (2008) *Evaluation of different feed-in tariff design options –Best practice paper for the International Feed-In Cooperation*, 2nd edition.

7 Farrell, J (2009) *Feed-in Tariffs in America Driving the Economy with Renewable Energy Policy that Works*, New Rules Project

8 NSW Government Task Force (2009), *NSW Solar PV Feed-in Tariff Report to Ministers*, p1

9 Kema Inc (2008) *Op cit* pp 6, 61-64

10 Fraunhofer ISI, EEG (2008), *op cit* p11

- The impact of the tariff – e.g. to provide full return on investment, or simply a contribution toward it;
- The market value of energy generated; and
- The total cost of the Scheme, including issues of access and social equity.¹¹

However, due to the fact that WA operates in an environment isolated from other states and territories and is not part of the National Electricity Market (NEM), there is not the imperative for any regulatory consistency with other jurisdictions that are covered by the NEM. Rather the Wholesale Electricity Market (WEM) needs a system suitable for its dynamics and future needs.

3.2. Gross vs. Net FiT Programs

WA SEA remains a strong supporter of the introduction of a Gross FiT mechanism in preference to the use of a Net FiT as the payment mechanism that is currently being proposed by the Government.

Currently WA already has a simple Net FiT in the form of the Renewable Energy Buy-back Scheme (REBS), which has had little effect on the uptake of renewable energy generation systems. As such, a similar system with different pricing is unlikely to achieve the outcomes of increasing adoption and a Gross FiT mechanism better for both the adoption of renewable energy technologies as well as the generation of jobs as occurred in Germany with the introduction of their FiT¹².

The reasoning behind the adoption of a gross FiT mechanism is supported by the Garnaut report, which states:

“... the two externalities from embedded generation are present for every unit of electricity produced- not just the amount sold. A feed-in tariff based on gross metering is thus a more appropriate approach for addressing this market failure¹³”
- emphasis added

The externalities referred to are deferred augmentation of the transmission and distribution system and reduced transmission losses. These externalities for the embedded generator provide a broader public benefit through supply side efficiencies and cost reduction for which *all* electricity users benefit.

Another negative factor in relation to the net FiT model is the fact that it is unable to give financial certainty when making decisions on investment. This is because it is impossible to determine the likely energy usage versus generation over any extended period, unlike the gross model where it is at least possible to produce a reliable (bankable) estimate future generation capacity and income based on existing knowledge of historical trends. Therefore, this makes the net FiT unreliable in obtaining financing and limiting the effectiveness of such schemes.

In comparing WA's proposed scheme to those of other Australian states, research by McLennan Magasanik Associates has indicated that by adopting a Net rather than Gross FiT, the Victorian Government made a significant error in its reasoning for such a scheme¹⁴. Similarly, the NSW has recognised that a Gross FiT model is better than a Net model and has recently converted to this

11 NSW Government Task Force (2009), op cit p XX

12 The Age (2009) *Government attacked on solar tariff plan*, <http://www.theage.com.au/environment/government-attacked-on-solar-tariff-plan-20090316-8zww.html>

13 Garnaut, R (2008) *The Garnaut Climate Change Review*, p452, Oxford Press

14 Morton, A (2009) *Report finds solar power policy flawed*, The Age, <http://www.theage.com.au/national/report-finds-solar-power-policy-flawed-20090403-9rmm.html>

model¹⁵. Indeed this is supported by the Coalition in NSW as their policy is also Gross FiT¹⁶.

Furthermore, one comment from a WA SEA member stated that:

“My German PV counterparts really struggle to understand our half measures, they are of the opinion that these half measures [a nett FiT] are as good as doing nothing.”

WA SEA recommendations

1. That the WA Government proposed Feed-in Tariff mechanism be based on a Gross Feed-in model and not a Nett Feed-in model.
2. The use of a Nett Feed-in mechanism has been shown by research and experience to produce sub-optimal outcomes and not be cost effective.
3. Globally, policy research and industry experience support a Gross FiT as the most cost effective mechanism for stimulating small scale renewable energy generation at “least cost” to Governments and society.

3.3. Scheme eligibility and eligible technologies

The purpose of a FiT is to encourage the uptake of renewable energy generation by Western Australian domestic users and as such, it is WA SEA's opinion that the technology eligible for FiT payments should not be prescribed, as it is in other States in Australia. Based on this, WA SEA believes that FiT recipients should be eligible if the system:

1. generates electricity for supply to the grid at zero net carbon emissions; and
2. Is not in the form of an energy displacement or efficiency device.

This means that current systems such as solar, wind, biomass and micro hydro will be eligible as well as any future systems that are not currently available on the market.

Technology based issues that can affect the FiT payment rate include:

- The differing costs of installation of the unit into existing premises or its integration into new premises;
- Cost of production of a given unit of energy, including costs of ownership over the unit life;
- Availability and intermittency of the energy supply; and
- Peak production periods (system performance).

Due to these factors, it is not uncommon for different rates of FiT to be paid based on different generation technologies as has occurred in Europe and to a lesser degree in Australian schemes (c.f. Victoria). The counter factor to this is that if FiT rates for cost of production are varied, then degression rates also need to be varied based on the technology as well.

¹⁵ Nature Conservation Council (2009) *‘Gross’ solar feed-in tariff a bright idea for NSW*, http://nccnsw.org.au/index.php?option=com_content&task=view&id=2586&Itemid=447

¹⁶ Stoner, A (2009) *Gross feed in Tariff* <http://www.andrewstoner.com.au/policy/gross-feed-in-tariff.aspx>

One issue regarding the utilization of differential fit rates is where there is more than one renewable generation type in use on a single outgoing meter. In this circumstance, actual metering of relative power contributions would be extremely difficult, if not impossible, to manage and this issue will need to be addressed potentially through some form of deemed provision of the FiT contract.

Furthermore, it is WA SEA's opinion that the eligibility for the FiT should be on the basis that it should cover a number of existing tariff brackets, not just those which are solely residential. For example, where there is "dual use" tariffs such as in regional areas connected to the SWIS or where the electricity user / generator is a not for profit (NFP) or non-government organisation (NGO). As such, the FiT will cover the following electricity tariffs:

- A1, A2
- B1, B2
- K1

A cap on eligible system size should also be introduced as part of the FiT program. Consultation with members, including utility and infrastructure companies, indicates that a cap equivalent to the current REBS scheme would be most appropriate. That is 10kW for residential / domestic and 10kW per phase (30kW) total for three phase systems.

However, there are technical limitations on generation with too many inverter based systems on a small grid. This can heavily impact remote power usage and adoption and as such, it may be necessary to limit the number of installations on small, islanded grids in some circumstances, or to look for alternate solutions.

The final point to be addressed is whether there should be a requirement for FiT recipients to purchase renewable energy from retailers, such as Green Power type products, as a condition of their eligibility to access the scheme and receive FiT payments. There is a case to be made that such a move will further bolster renewable energy demand in return for provision of incentives that have assisted customers install renewable energy on their homes.

This would balance the fact that almost all installations of small scale renewable generation will see the installed unit surrender its Renewable Energy Certificate (REC) allocation to the system installer / provider as a trade off to the capital cost of the installed unit. As such, the energy produced and fed back into the grid has effectively sold the rights to the renewable energy and so, from a market technical point of view, is no longer is "renewable energy".

WA SEA recommendations

4. The FiT scheme should be technology neutral and not discriminate against any potential renewable technology.
5. Simple rules can be introduced to test as to whether a system is eligible for FiT payments.
6. FiT payment rates should vary based on the technology generating the electricity sold back to the grid.
7. Multiple source generators will need to have "deemed" production allocations in their FiT contract.
8. A broad base of residential- type tariffs should be eligible for payments including:

9. Recipients of FiT payments should be required to purchase renewable energy (e.g. Green Power type products) to remain eligible for FiT payment.

3.4. FiT Program Duration

The duration of any FiT program needs to be long enough to stimulate the adoption of renewable energy technologies and to achieve the program goals. Essentially, the duration and rate are inversely proportional and as such there is a need for a trade off between these two factors. That is, a longer duration dictates a lower rate, while shorter durations dictate a higher FiT rate.

Other factors that influence the FiT duration are:

- Sufficient time to give certainty for securing long term financing. The international FiT benchmark rate of return is between 6 to 10%.
- A period that is appropriate for different technologies at different levels of maturity and different positions on the cost curve;
- Utilising a model that provides sustainable long term funding for the scheme to minimise any supporting costs;
- Each technology has its own obsolescence cycle and life span and the FiT and contract terms may need to vary to account for this;

It is the opinion of WA SEA that a longer term FiT at a lower rate would be the most appropriate model, as this would give certainty in respect of any investment into the scheme. Eligibility to enter the scheme would also be for a fixed period to be determined.

We would suggest that the FiT contract between the FiT recipient and the purchaser be for a minimum of 15 years and that eligibility to enter the FiT scheme operate for a minimum of 7 years. Subsequent to these periods, is a need for transition measures that would be considered at program review periods, which we would suggest would be no more frequently than every five (5) years.

WA SEA recommendations

10. The FiT scheme should commence in 2010 and operate for a minimum of seven (7) years.
11. Reviews of the scheme should not be more frequent than five (5) years.
12. FiT contract between small scale generators and utility companies should operate for a minimum period of fifteen (15) years.

3.5. Degression of the FiT Rate

Intimately linked with a time limit on the FiT mechanism is the concept of a *degression rate*. The concept of a degression rate has been included without a clear definition of what this actually means to the program, but WA SEA understands this to be where:

“The tariff level depends on the year, when the ... plant starts to operate. Each year the level for new plants is reduced by a certain percentage. However, the remuneration per kWh for commissioned plants remains constant for the guaranteed duration of support.”¹⁷

It is important to note that one consistent issue in FiT programs employing a degression rate is that they are based on the change in marginal costs of production of energy due to technological evolution and cost price pressures. Furthermore, these programs are generally Gross FiT programs, rather than Nett FiT mechanisms and therefore only if a Gross FiT mechanism is adopted should a degression rate be applied.

Due to the reliance of the degression rate on the price reduction of a technology, for whatever reason, WA SEA is unable to propose any suitable degression rates for the WA FiT program. As such, degression rates must be determined on a technology basis, and a general degression rate must not be used for all installations regardless.

The Discussion Paper commented that a degression rate works as a supply side driver of R&D / innovation. WA SEA research has not been able to find any independent research validating this proposition. While we accept that degression rates have their uses in reflecting price falls in the costs of some systems, we do not accept that in this instance correlation equals causation. In this instance, WA SEA believe’s that market competition and increase economies of scale for production are more likely to be the factor impacting market prices. As such, WA SEA does not agree that degression rates should consider technological innovation as a factor in their calculation.

Furthermore, degression rates should not only consider the costs of the renewable energy generation unit itself, but also the costs of installation and similar costs that are part of enabling the technology to perform. Degression applied solely on unit capital cost is a misleading indicator of actual cost of ownership for small-scale generation units. Such additional costs due to their nature are likely to increase over time as they are labour dependent, and considering the wage growth potential in WA, these increases are likely to exceed the current Consumer Price Index (CPI) increases.

WA SEA recommendations

13. Degression rates for FiT payments should only be enacted if a Gross FiT mechanism is used.
14. Degression rates should vary by technology only where the FiT payment rate is technology dependent.
15. A single degression rate *should not* be applied across all technologies.
16. The calculation of degression rates should discount technological innovation drivers and be based on actual rates of change of market prices.
17. The calculation of a degression rate also needs to account for fixed or increasing costs as part of the cost of ownership e.g installation costs.

¹⁷ Fraunhofer ISI, EEG (2008), op cit p 40.

3.6. The FiT rate

As previously mentioned there are many factors that affect the amount payable under FiT scheme, each of which has interdependence with other factors. Ultimately, any final determination of the rate needs to be carefully modeled to understand the potential on-flow effects in the economy, including dealing with the subsidies mentioned in the Garnaut Report to prevent cross-subsidisation.¹⁸ If such modeling has been undertaken, it is not currently available to WA SEA, nor was a target rate or range of potential rates clearly disclosed within the Discussion Paper.

Due to the different conditions found in Western Australia to many other electricity systems throughout the world, we do not believe that a direct cost equivalence or adoption of an arbitrary equal rate would be appropriate. Based on feedback from WA SEA members, we believe that, with reference to our suggested scheme life operate for a minimum of 7 years and contracted minimum of 15 years (Section 3.4), an appropriate range of **a Gross FiT should be in the order of 40 to 50 c/kWh**.

WA SEA recommendations

17. The FiT payment rate should be between 40 and 50 c per kWh.

3.7. Covering the Costs of a FiT

Due to the subsidy nature of a FiT, there are costs incurred to maintain such a program. During consultation with members, WA SEA identified three potential mechanisms for the transfer of value to support FiT payments. Each of these mechanisms has its own advantages and disadvantages, not the least of which is the consensus from members that the budgeted \$13.4 million for the FiT was inadequate and entirely unrealistic in light of the policy objectives sought.

These are:

- 1) Payment or reimbursement from Government tax revenues
- 2) A levy on users; or
- 3) A market based transactional mechanism.

Of these mechanisms, there was significant support for a market-based recovery of the costs over the other proposed mechanisms. The market-based mechanism is the most likely to provide a clear, transparent and equitable outcome to all stakeholders, including all electricity end-users.

The application of this market-based mechanism would be applied to all relevant electricity users, as all users would benefit from a number of avoided costs, Garnaut's aforementioned externalities. Two options have been mentioned about how this could be applied, as a network charge to be included only for electricity tariff schemes that are eligible for the FiT, or to all electricity users. WA SEA believes that the least impact would be seen if it were applied to all users of the grid as all users (both domestic and commercial) benefit from the avoided costs.

Dealing with social justice and equity issues is important and it is necessary to ensure that in the recovery of costs for the FiT, that there is no material impact on those in disadvantaged

18 Garnaut, R (2008), op cit. p 452.

circumstances. It is important to note that market based mechanisms will not necessarily disadvantage hardship circumstance groups, even where a Gross FiT is used; for example, the outcomes of the modeling of the Victorian FiT by MMA which showed that the average bill would rise by as little as \$8 per year¹⁹.

WA SEA recommendations

18. Costs of the FiT should be based on a market based levy due to the externalities and social benefits from avoided and deferred costs.
19. Funding FiT payments should avoid utilising consolidated revenue or a levy (tax) mechanism.

3.8. Enabling policy to maintain consistency .

In order for any FiT mechanism to be translated to a successful policy, it is necessary to maintain consistent consistent price signals to the market to ensure that counterproductive policy signals are not generated by government and government owned businesses. WA SEA and its members strongly support the introduction of the FiT mechanism through Parliamentary legislation and regulation, rather than as an administrative program. This is because a legislated mechanism provides significantly greater certainty for both businesses, involved in the power purchase or system installation, as well as for any financial institutions who provide funding support for system purchase. An administrative system acts as a disincentive to investment through uncertainty as administrative arrangements can be changed rapidly. That various schemes have started, stopped or been altered with great rapidity over the past two years at State and Federal levels, means that uncertainty in policy consistency has created mixed price signals and confusion in businesses. As such, a legislated FiT mechanism will create a more stable base for renewable energy growth.

The introduction of a FiT mechanism also needs to ensure that other policy settings and market based price signals are consistent with achieving stated outcomes and that the market is set so that counterproductive activities by market participants are not used to undermine policy outcomes. A recent example of counter-productive action has been the proposal to the Economic Regulation Authority (ERA) of a bi-directional tariff scheme. Such a proposal acts as a disincentive to the uptake of renewable energy. Furthermore, transmission entities derive benefits from the externalities not captured by micro / distributed power generation and as such such additional costs are not justifiable in achieving renewable energy targets or necessarily reflecting the realities of changing generation paradigms.

At a broader level, the WA FiT needs to support programs undertaken at a Federal level where these are consistent with achieving the stated policy goals. As such, WA SEA believes that COAG initiatives supported by WA need to be consistent with this policy on a broad basis. For example, in the interaction with the REC scheme, that only electricity production technology should be supported by RECs. Other energy displacement technologies such as Solar Hot Water (SHW) and Heat Pumps (HP) technologies should be supported by a separate nationally based energy efficiency/energy displacement support scheme, where benefits for both residential and business users are equivalent and reflective of the value brought about by REC creation but do not create the supply side price distortions seen recently in REC spot prices.

WA SEA recommendations

20. The FiT scheme is not a panacea, a coordinated approach to the support of renewable energy adoption is required to ensure successful adoption. This includes policy setting across all levels of government and government enterprises.

4. SEDO Questions

“The question is...what is the question?”

John Archibald Wheeler, Theoretical Physicist, (1911-2008)

As previously noted, the questions set out in the SEDO Discussion Paper are based on a specific concept of the FiT mechanism and makes a number of assumptions underlying the structure, that WA SEA membership considers will deliver sub-optimal policy performance, due to the counter-evidence to these assumptions presented in the previous section.

As WA SEA challenges the assumptions, that have formed the basis of the questions, the agreed position of the WA SEA membership was not to answer these questions directly. Nevertheless, the content provided in the previous sections deals with them in their broadest context.

WA SEA proposed a number of alternative questions to its members in an attempt to ensure that the outcomes for renewable energy policy settings are optimised, and that the best outcomes are achieved.