

Committee Secretary
Senate Standing Committee on Environment, Communications and the Arts
PO Box 6100
Parliament House
Canberra ACT 2600
via email: eca.sen@aph.gov.au

CC: Senator the Hon Penny Wong, Minister for Climate Change, Energy Efficiency and Water
The Hon Greg Hunt MP, Shadow Minister for Climate Action, Environment and Heritage
Senator the Hon Christine Milne, Deputy Leader of the Australian Greens
Senator the Hon Nick Xenophon, Independent Senator for South Australia
Senator the Hon Steve Fielding, Leader of the Family First Party
Clean Energy Council

Monday 7 June 2010

**Re: Further Submission to Senate Committee Inquiry into Renewable Energy
(Electricity) Amendment Bill 2010**

Dear Committee Secretary,

Nu Energy is the largest Australian residential Solar PV Installation Company based on the number of sales and installations over the last 25 years. Nu Energy is also one of Australia's longest running and most experienced Solar companies providing Solar to Australians since 1985. Our customers include a diverse mix of groups across Australia including working families, pensioners, the rural sector, small business and commercial.

From a policy perspective, we applaud the work to date by the Federal government and all political parties in Australia in targeting greenhouse gas emission reductions and acknowledging the role Solar PV has as a key part of this. We also applaud the proposed amended RET in fixing of the price for Renewable Energy Certificates at \$40, the no-cap provision for industry capacity and other changes which will alleviate a great deal of variability in pricing and improve the whole investment landscape while also providing a strong platform for generation size projects.

However, we understand there has been a submission to the Senate Committee from a small group claiming to represent the industry and on this basis they seek to recommend a change to the REC multiplier.

Contrary to their claims, these parties don't represent the industry as a whole, rather only a small subset of it. The parties are mainly only equipment suppliers and do not have day to day experience with the Australian public. The majority of these parties are targeting high end upper class segments only with high priced offerings and as such their submission only represents this position. They do not cater to the wide range of other mainstream segments

who cannot afford high end solar solutions, which from a quality and electricity output perspective offer no significant differentiation whatsoever for the average Australian. As the largest installer, we were not solicited for their response nor do we support it and neither does the industry as a whole, as it discriminates against people who can only afford a 1.5kW entry level system. Their proposed position would disadvantage working families, the elderly and rural communities.

In addition to our existing submission we urge you to consider carefully the issues we raise below to help your policy finalisation. Our position will help ensure access to solar continues to be provided to ordinary Australians and not just a high income segment of the population. Our view in this matter is simple. Policy in this area should target on:

(i) benefit to ordinary Australians and stable pricing

Ordinary Australians greatly benefit from quality installations installed at an entry level price. There are many factors driving price: it is primarily driven by running an efficient national operation as we do our best to, exchange rate, certainty of supply of PV modules and inverters, and, most of all, passing any savings in the above directly to the consumers as they occur. For example, we often offer better value systems in regional Australia because we run our operations more efficiently and therefore install for significantly less – its that simple.

When there is a strong exchange rate, we reduce our prices to customers accordingly. However, exchange rate uncertainty and continued pressure on solar equipment availability and pricing will result in natural price increases in the near future. The current RET already provides for a reducing solar credits multiplier which will also increase prices to the consumer. Any action to reduce this multiplier earlier, in conjunction with the Australian dollar volatility and solar equipment supply and pricing issues, will cause a significant issue to ordinary Australians.

The average price for a 1.5kW system in Australia is around \$2500 (net cash paid by consumer after rebates). This will increase with the continued currency volatility and due to all the issues above. Any premature reduction of the solar credits multiplier on small systems or moving it to larger systems will increase the entry level price significantly higher and it could reach \$10,000 if the multiplier was attributable to larger systems only or reduced early.

The investment case for a pensioner or working family will never stack up for an entry level system in the near future, at a \$5000 plus price or even for a larger system right now at \$10,000. The average Australian does not have the capital to outlay nor does the return justify it, even with feed in tariffs, which are highly questionable as to their longevity anyway (NSW may close very soon). As the industry matures and new technologies arrive the prices will come down but by this time there will be no solar credits REC multiplier anyway as it has already been legislated to reduce. So the support that is there now needs to stay to provide the ability for people to participate in the industry.

(ii) reduction of greenhouse gas emissions

Greenhouse gas reductions are directly proportional to renewable MW installed per month, ie it is a volume game. Residential PV installations are still a very small percentage of total households so there is a lot of positive work to be done. The gross numbers are still very small and any further change to policy will reduce the momentum in the market and slow the strong reductions in greenhouse gases that the solar PV industry are providing.

(iii) ensuring an environment of policy stability

The proposed changes to the RET are so far positive, that is fixing of the REC price for small scale generation, separation of large scale generation RECs and no cap on small scale capacity.

However, any further changes to structure will once again provide further investment uncertainty and significantly detriment the industry and the average Australian.

The NSW gross feed in tariff is likely to be discontinued as it will oversubscribe its cap. State feed in tariff structures are variable and uncertain in other jurisdictions.

The groups in Australia who are starting to be able to afford an entry level 1.5kW solar system, which will power 25% of the average home, need this stability.

If any further changes affect end consumer pricing negatively, due to further policy change, solar will be out of reach to most rural residents, pensioners and large segments of the Australian population.



Policy is not about supporting high priced installers and international manufacturers, or any installer or component supplier for that matter – it's all about the customers getting high quality low cost solar on a sustainable basis.

We believe the solar industry is poised for strong, sustainable growth under the current revised scheme as originally proposed with the \$40 uncapped REC.

Proposals to prematurely reduce REC multipliers (which in time are designed to reduce anyway) only reduce the accessibility of Solar PV to pensioners and rural Australia. We are aware these groups are also significantly in support of our position.

We have previously provided a submission but thought it very important to provide further information to help participate in what is an important policy discussion to allow continued access to Solar for ordinary Australian.

Please contact me if you wish to discuss further.

Yours sincerely

Simon Schauble
Chief Executive Officer
Nu Energy