

Committee Secretary
Senate Standing Committee on Environment, Communications and the Arts
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Parliament House
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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 Christine Milne, Deputy Leader of the Australian Greens
Senator Nick Xenophon, Independent Senator for South Australia
Senator Steve Fielding, Leader of the Family First Party

Monday 24 May 2010

Dear Committee Secretary,

Re: Senate Committee Inquiry into Renewable Energy (Electricity) Amendment Bill 2010

The domestic solar power industry is once again at a critical stage of its development and appropriate Government Policy is required to establish a long term sustainable industry which will become self sufficient in the near future.

We have welcomed the Solar Credits scheme, part of the Renewable Energy Target, as it is legislation that will contribute towards achieving the total renewable energy target, of 20 percent by 2020, and supports the emerging domestic solar power industry.

However, it has failed to adapt with recent developments in the domestic solar power industry. Over the past 18 months the market has changed significantly, resulting in the overall cost of installing a photovoltaic solar power system to fall.

Combining these market changes with the current Solar Credits multiplier, in Zone 3 (Sydney, Perth, Brisbane, Adelaide) the actual cost to the consumer to install a 1.5kW solar power system is minimal. In fact, we are already seeing suppliers offering systems at no cost to the consumer in Zone 2, (Alice Springs, Broken Hill, Broome).

It is unsustainable for the industry to have solar power systems available at no cost to consumers. Solar power systems offered at no or low cost encourage low standards in materials, poor returns on financial and environment investments, and could cause long term damage to the entire industry.

Under the recent Enhanced Renewable Energy Target discussion paper, members of the domestic solar power industry called for a change to the Solar Credits Scheme to ensure the longevity and stability of the industry.

With the Renewable Energy (Electricity) Amendment Bill 2010 currently before Parliament, there is no indication of a change to the Solar Credits multiplier. This has resulted in the industry to collaborate and propose changes to the multiplier again.

The Proposed Mechanism

We propose that the five times multiplier is reduced to a three times multiplier for up-to 3kW of installed capacity. Any additional capacity installed above the 3kW would receive no multiplier, but have the normal Renewable Energy Certificates (RECs) attributed.

This scheme would not change the number of RECs (and phantom RECs) created or the upfront costs needed to install a 3kW system. It would see less RECs attributed to systems from 0kW – 3kW’s.

The table below compares the number of RECS for the current and proposed mechanisms in Zone 3. Importantly, the smaller PV systems attract less RECs under the proposed scheme.

	Current System 1.5kW with x5 multiplier	Consumer savings	Proposed System 3kW with x3 multiplier	Consumer savings
System Size	#RECS Z3	\$40/REC	#RECS Z3	\$40/REC
1.5 kW	150	\$6000	90	\$3600
2.0 kW	160	\$6400	120	\$4800
2.5 kW	170	\$6800	150	\$6000
3.0 kW	180	\$7200	180	\$7200
3.5 kW	190	\$7600	190	\$7600
4.0 kW	200	\$8000	200	\$8000
4.5 kW	210	\$8400	210	\$8400
5.0 kW	220	\$8800	220	\$8800

Table 1: Comparison of consumer savings between the current multiplier and proposed multiplier

This is a fair approach as it maintains the same level of assistance albeit requiring a 3kW system to be installed instead of a 1.5kW. A 3kW system is a more representative fit to offset a typical 4-person dwelling and will assist in reducing the household’s environmental footprint. It is important to anticipate the changing needs of the consumer as electricity consumption and/or tariffs increase over time, and this size system would allow for this.

Additionally, implementing a model as suggested would mean that the Solar Credits scheme would be insulated to any future market changes that could result in systems offered at no cost to consumers, or worse still, consumers given money to install solar power systems.

Like the current multiplier under Solar Credits there is a need for its reduction over time. Table 2 outlines our proposed staggered reduction of the multiplier:

	Current System Multiplier	Maximum Phantom RECs Created	Proposed System Multiplier	Max Phantom RECs Created system
Year	#RECS Z3	Per 1.5kW installed	#RECS Z3	Per 3kW installed
2010	5	120	3	120
2011	5	120	3	120
2012	4	90	3	120
2013	3	60	3	120
2014	2	30	3	120
2015	1	0	2	60
2016	1	0	2	60
2017	1	0	1	0

Table 2: Comparison of yearly staggered reductions for multipliers

We believe that changing the multiplier scheme as outlined in this letter is the most appropriate way forward for the industry and will deliver the right environment to encourage Australian homeowners to continue to install solar power systems on their homes.

Yours sincerely

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