

Senate Standing Committee on Finance and Public Administration
ANSWER TO QUESTION ON NOTICE
Prime Minister and Cabinet Portfolio
Department of Climate Change
Additional Budget Estimates Hearing—February 2009

Written question reference: CC9 (a)-(d)

Outcome/Output: Response to climate change

Topic: Renewable Energy Certificates

Hansard Page: Not relevant for written QoN

Question: (Senator Birmingham)

In relation to the comparative benefits of the old rebate system under the Coalition and the proposed new Government system:

- (a) How much will a person living in Melbourne who installs a one kilowatt solar system actually receive in the hand as payment by an average solar installer or retailer?
- (b) Is it technically possible that a person in Melbourne buying a one kW system could be \$4500-\$5000 worse off than under the previous Coalition rebate system which provided an \$8000 rebate to all?
- (c) How does this compare with the modelling by Colin Gillam, of Melbourne company Solar Sunwerx, who found that consumers could end up with almost \$5000 worth of extra costs than under the current scheme, depending on where they live and the size of the system installed?
 - a. In a 29 January report in *The Australian* newspaper, Mr Gillam found that people installing solar systems in Melbourne could be up to \$4600 worse off, while those in other state capitals could find themselves out of pocket by up to \$4000.
 - b. Could these figures be correct? If not, please provide the modelling supporting any dispute of the figures?
- (d) Please provide modelling which shows exactly what rebate home owners would receive as a rebate under the new scheme, for each capital city, and for solar units of 1.0, 1.5, 2.0, 2.5 and 3kW.

Answer:

- (a) The Solar Credits mechanism is to be implemented as part of the design of the expanded national Renewable Energy Target (RET) scheme. The Solar Credits arrangements will provide a higher number of Renewable Energy Certificates (RECs) for people who install small-scale solar photovoltaic (PV), wind and hydro power systems than is currently the case under the existing Mandatory Renewable Energy Target. The exact level of subsidy provided to individuals will depend on a number of factors, including location, size of system and the commercial arrangements between the system purchaser and supplier, which will be significantly influenced by the prevailing price of RECs.

The Solar Credits mechanism also provides greater certainty for the small renewables generation industry as the support provisions for the industry will be set by legislation.

- (b) The number of RECs created for a system depends, appropriately, on the amount of renewable energy the system generates. Systems in Melbourne and Hobart will receive fewer RECs than systems in other capitals that receive more sunshine. The REC price is currently around \$50 and REC prices are expected to rise once the RET is in place. At a \$50 REC price, a one kilowatt system owner in Melbourne would receive, under the Solar Credits mechanism, total RECs worth \$4,400. At a \$60 REC price, a one kilowatt system in Melbourne would receive total RECs worth \$5,280.

With REC prices expected to increase under the expanded national RET, it is unlikely that installation of a system in Melbourne would see a household \$4,500 to \$5,000 worse off.

Previous subsidies were provided under a budget funded program that is not directly comparable with the proposed credit mechanism.

- (c) Calculations on the level of subsidy that will be available under the Solar Credits mechanism depend on the REC price. According to the Australian Financial Markets Association, REC prices were \$51 on 1 April 2009.
- (d) The table below shows the value of Solar Credits with an indicative REC price of \$50 and \$60.

Table showing the value of Solar Credits in capital cities across varying sizes of installation – for indicative REC prices

NOTE – the actual value will vary according to the REC price and the commercial arrangements between system purchaser and supplier.

Location	Solar PV System size (kW)	RECs (with 5x multiplier)	At \$50 per REC	At \$60 per REC
Adelaide	1	103	\$5,150	\$6,180
	1.5	155	\$7,750	\$9,300
	2	165	\$8,250	\$9,900
	2.5	176	\$8,800	\$10,560
	3	186	\$9,300	\$11,160
Brisbane	1	103	\$5,150	\$6,180
	1.5	155	\$7,750	\$9,300
	2	165	\$8,250	\$9,900
	2.5	176	\$8,800	\$10,560
	3	186	\$9,300	\$11,160
Canberra	1	103	\$5,150	\$6,180
	1.5	155	\$7,750	\$9,300
	2	165	\$8,250	\$9,900
	2.5	176	\$8,800	\$10,560
	3	186	\$9,300	\$11,160
Darwin	1	115	\$5,750	\$6,900
	1.5	172	\$8,600	\$10,320
	2	184	\$9,200	\$11,040
	2.5	195	\$9,750	\$11,700
	3	207	\$10,350	\$12,420
Hobart	1	88	\$4,400	\$5,280
	1.5	133	\$6,650	\$7,980
	2	142	\$7,100	\$8,520
	2.5	151	\$7,550	\$9,060
	3	159	\$7,950	\$9,540
Melbourne	1	88	\$4,400	\$5,280
	1.5	133	\$6,650	\$7,980
	2	142	\$7,100	\$8,520
	2.5	151	\$7,550	\$9,060
	3	159	\$7,950	\$9,540
Perth	1	103	\$5,150	\$6,180
	1.5	155	\$7,750	\$9,300
	2	165	\$8,250	\$9,900
	2.5	176	\$8,800	\$10,560
	3	186	\$9,300	\$11,160
Sydney	1	103	\$5,150	\$6,180
	1.5	155	\$7,750	\$9,300
	2	165	\$8,250	\$9,900
	2.5	176	\$8,800	\$10,560
	3	186	\$9,300	\$11,160