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Officer-in-Charge
RET Discussion Papers submissions
Renewable Energy Team
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Dear Sir/Madam

Treatment of 'solar credits' Renewable Energy Certificates under the RET – Discussion Paper 5
Treatment of new waste coal mine gas power generation in the RET – Discussion Paper 4

The National Generators Forum (NGF) welcomes the opportunity to comment on the two Discussion Papers. The NGF represents the 22 major power generators in Australia, accounting for 95 per cent of electricity generated. NGF members are involved in many supply aspects of renewable energy generation.

Since the inception of the MRET/RET, the NGF has urged governments to support a market-based mechanism which provides sufficient transparency, simplicity and regulatory certainty to allow businesses to make long term investments. From the NGF's perspective, the proposed amendments to the RET increase the administrative complexity of the scheme without demonstrating a clear positive contribution to the scheme's objectives.

Unpredictable changes to policy, regardless of their perceived merits, add to the regulatory uncertainty associated with the scheme and can damage its capacity to achieve the policy objectives at least cost.

Multiple incentives for solar water heaters have created some seven million Renewable Energy Certificates (RECs) in 2009. Multiple incentives for small scale renewables, mostly domestic PV systems will create a very significant amount of additional RECs. It is the current 'flooding' of the REC market by certificates created from overlapping incentive schemes, some offering multiple credits for each MWh of electricity generated, that is causing the market uncertainty and leading to REC price volatility.

The inclusion of waste coal mine gas from existing mines in the RET, even though additional to the RET target, added further REC market uncertainty as well as placing an even greater burden on retailers and consumers.

The NGF acknowledges the current inclusions of multiple solar credits from small generation units and waste coal mine gas from existing mines and recognises that energy supply businesses and REC suppliers have taken their financial positions based on the inclusion of these measures.

The NGF would strongly urge governments not to add further burdens to the RET liable parties and adversely affected generators by either increasing the annual and overall targets to account for multiple certificates not backed by generation or by the addition of waste coal mine gas from new coal mines.

The NGF is also concerned that, given governments' preference for increased intervention in the RET scheme, the current CoAG review into the recent volatility in REC prices may exacerbate, rather than resolve, the regulatory uncertainty in the REC Market.

Treatment of 'Solar Credits' Renewable Energy Certificates under the RET – Discussion Paper 5

Renewable energy generators, including NGF members, are concerned that the suite of 'add-on' measures is distorting the REC market to such a degree that investment in renewable energy projects has become very uncertain and excessively risky financially.

The 'Solar Credit' scheme, as a subset of the RET scheme, was implemented because the Federal Government was no longer willing or able to fund the excessive payments being made to eligible PV installations. This problem was exacerbated by State Governments quickly introducing lucrative gross and net tariff buy-back schemes, which further distort the RET scheme and REC prices.

There is little or no justification for either excessive feed-in tariffs, particularly gross ones, and for multiple RECs from small renewable energy installations, as these measures are a growing cost falling on all consumers, with few direct environmental benefits.

With respect to the specific issues raised in the Discussion Paper, the NGF:

- Does not support the increase of annual targets under the RET scheme to offset the additional RECs created by the Solar Credits multiplier and therefore any of the three proposed incremental target measures as all three options create unnecessary market uncertainty and increased market risk.

Rather, the NGF would advocate the removal of small renewable energy installations and solar water heaters from the RET scheme if such items are supported by other government programs, such as feed-in tariffs, mandates and direct financial support. The NGF does not support 'double-dipping'.

Treatment of new waste coal mine gas power generation in the RET

The current inclusion, but as an addition to the RET scheme's annual and 2020 target, of eligible coal mine gas power generation was essentially an expedient measure to get the expanded RET scheme adopted by Parliament. The annual creation of up to 850,000 RECs for 10 years distracts from the intent of the RET scheme, even though the number of RECs that are potentially eligible are comparatively small, but not insignificant.

The intention of including existing coal mine gas projects is to compensate owners of existing assets that received revenues through the NSW Greenhouse Gas Abatement Scheme. While the NGF does not oppose providing additional revenues for these assets, the RET scheme should not be the mechanism. Consolidated revenue or some other form of compensation should be found.

From the NGF perspective, including new waste coal mine gas power generation in the RET scheme, even as an additional to the targets, is an unnecessary distortion of the objectives of the RET scheme as outlined in the Renewable Energy (Electricity) Act.

Such an approach creates yet further market uncertainty, both in the REC market and in the National Electricity Market and the WA Electricity Markets.

Further, from a policy perspective, there is nothing special about waste coal mine gas, particularly if the CPRS is implemented. Coal producers will have an even greater incentive to either convert waste coal mine methane to carbon dioxide by flaring and/or to reduce their emissions obligations even further by using the waste coal mine methane in their own operations or as a valuable product for on-selling to their customers.

Yours sincerely



Malcolm Roberts
Executive Director