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Feed-in Tariff Review  
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### **Review into the expansion of feed-in tariffs to include low-emissions technologies – Consultation paper**

The National Generators Forum (NGF) welcomes the opportunity to make a submission to the Victorian review into the expansion of feed-in tariffs to include low emissions technologies.

The NGF represents market-facing generators in the National Electricity Market (NEM), including Victorian electricity generators, using a variety of fuels, including brown coal, black coal, gas and renewable energy sources.

The NGF does not support state-based feed-in tariffs because of their distortionary effect on electricity generators and retailers operating in the wholesale electricity market. The NGF supports a nationally consistent approach to facilitating zero and low emission technologies, consistent with the Complementarity Principles adopted by the Council of Australian Governments.

The nationally consistent Renewable Energy Targets (RET) scheme, with its special provisions for small-scale renewable energy technologies and its potential to cover other low emission technologies, provides a sound national platform for addressing the needs of other low emission technologies. Alternative nationally consistent policy approaches could also be used to encourage the use of low emissions technologies. A number of national funding mechanisms already exist to facilitate such activities.

The NGF is perplexed by the earlier recommendation of the Victorian Competition and Efficiency Commission (VCEC) to extend requirements on retailers or distributors to purchase electricity from a broader range of low emission technologies in the interest of providing for neutrality among energy sources. Such a recommendation would appear to be inconsistent with VCEC's own competition and efficiency mandate and fails to meet some of the Victorian Government's stated energy and social policy objectives. In particular, feed-in tariffs have a very distortionary impact on low income households who bear the burden equally with higher income households.

The Victorian Government's rejection of the recommendation '*until the key parameters of the finalised CPRS are known*' and it is established that such a measure '*would be a cost-effective measure to encourage low emission technologies*' provided a sensible response to a proposal of uncertain urgency, merit and value.

Even with the CPRS 'on hold', but giving the already extensive range of national and state-based energy policy measures, the Victorian Government should reject proposals to extend the feed-in tariff provisions to low emission technologies and instead encourage nationally consistent approaches to the uptake of all zero and low emission technologies.

Further, NGF members are concerned about what would appear to be the arbitrary need to accommodate potential domestic fuel cells, degrees of cogeneration or hybrid vehicle batteries without any logical assessment. The issue of emission thresholds of 0.4 t CO<sub>2e</sub>/MWh or even the range of 0.7 to 0.9 t CO<sub>2e</sub>/MWh appears to be quite arbitrary and a detailed cost-benefits analysis would require in order to demonstrate the cost-effectiveness in energy and emission terms.

The table attached provides some additional responses to the issues raised in the consultation paper. However, the NGF believes that the rationale for extending the feed-in tariff to low emission technologies has not been established, nor would such a move be nationally consistent on energy policy or emission grounds. As such, the NGF sees little current value in extending feed-in tariffs to such technologies.

Yours sincerely



Malcolm Roberts  
Executive Director

<b>Consultation Paper Questions</b>	<b>NGF Response</b>
1. Should the feed-in tariff provisions be extended to low-emissions technologies? If so, why? What should be the objective for extending the feed-in tariff to low-emissions technologies?	The NGF does not support the extension of feed-in tariffs to low emission technologies because it is not consistent with CoAG's complementarity principles nor is it national in approach. There is no definition of low emission technologies and the apparent need to accommodate domestic fuel cells, levels of cogeneration and vehicle batteries lacks rationale or proper analysis.
2. If the feed-in tariff provisions are extended to low-emissions technologies, how should "low-emissions" technologies be defined? Should it be based on emissions intensity, with the threshold based on, for example, high efficiency gas-fired generation (0.4 t CO <sub>2</sub> -e per MWh) or the marginal generator (generally around 0.7 to 0.9 t CO <sub>2</sub> -e per MWh)? Which products are likely to be captured by this definition?	The NGF does not believe that a state-based feed-in tariff is an appropriate mechanism to accommodate low emission technologies. Any system to subsidise low emission technologies should be instituted at the national level, using defined and tested criteria. Arbitrary intensity cut-offs are of limited value and will require constant adjustment. A basis for assessing the environmental and energy value of low emission technologies should be the average emission intensity in the NEM or similar parameter, and not some arbitrary peak and off-peak cut-off. A carbon price instrument provides the most cost-effective incentive for low emission technologies.
3. What should be the form of the feed-in tariff for low-emissions technologies? Should a buy back rate be specified?	The NGF does not support state-based feed-in tariffs for low emission technologies. If implemented by the Victorian Government, the standard feed-in tariff arrangements should apply up to some capacity and consumer cost limit, but noting that such action disproportionately disadvantages lower income households. There is no justification, nor persuasive case, for the use of a premium feed-in tariff.
4. If a buy back rate is specified, what should be the rate for low-emissions technologies? Should it be a fair and reasonable rate (around \$200 per MWh) as for the standard feed-in tariff, set at \$600 per MWh as for the premium feed-in tariff, at a rate similar to the cost of wholesale electricity, or at a rate based on the greenhouse gas emissions abated by the technology? Why?	Refer to question 3 response.
5. Up to what size of generator should be eligible for the feed-in tariff? Should it be based on the 100kW limit for the standard feed-in tariff or the 5kW limit for the premium feed-in tariff or some other limit? Why?	Refer to question 3 response.
6. How long should the low-emissions technologies be eligible for the feed-in tariff? Should it be limited in timeframe as for the premium feed-in tariff, unlimited as for the standard feed-in tariff, available until the introduction of a carbon price, or available for some other timeframe? Why?	No need to set a time period if the standard feed-in tariff arrangements apply.

<p>7. Should the feed-in tariff for low-emissions technologies be administered in the same way as the standard feed-in tariff (with the obligation on the electricity retailers), as the premium feed-in tariff (with the obligation on the electricity distributors), or in some other way? Why? If the obligation is placed on the electricity retailer, would the uptake of low-emissions technology generation with a feed-in tariff be such that it may impact on competitive neutrality?</p>	<p>If implemented, the standard feed-in tariff arrangements should apply.</p>
<p>8. If the obligation is placed on the electricity retailer, should there be a threshold number of customers above which the obligation is applied?</p>	<p>If implemented, the standard feed-in tariff arrangements should apply, that is, retailers with more than 5000 customers.</p>
<p>9. Should the feed-in tariff for low-emissions technologies be targeted only to customers in those areas where a network augmentation can be deferred by small scale low-emissions technology generation? How could the feed-in tariff be targeted in this way?</p>	<p>If implemented, feed-in tariffs for low emission technologies should be limited to areas with a particular constraint, such as transmission or distribution congestion, or poor reliability of supply or power quality. The cost impact of feed-in charges should be limited to customers who benefit directly from the measure.</p>
<p>10. What administrative and compliance costs are incurred by electricity distributors and retailers to accommodate feed-in tariff schemes? How would these costs be impacted with the expansion of the feed-in tariff to incorporate low-emissions technologies? What lead time is required to introduce a feed-in tariff for low-emissions technologies? Who should pay for these additional costs?</p>	<p>The customer selling the electricity from the low emission source to the retailer should pay the costs incurred. These costs would be small.</p>
<p>11. What costs would be incurred by transmission and distribution network companies to accommodate large numbers of small scale generators? How much small scale generation capacity can be accommodated before these costs would be incurred? Who should pay for these additional costs?</p>	<p>The cost incurred by network businesses could potentially be quite large depending on how much of the network will need to be re-configured or upgraded.</p> <p>Detailed cost-benefit assessments will be needed to assess the value of network augmentation, using a test similar to the RIT-T for transmission upgrades.</p>
<p>12. Is the existing electricity safety regulatory regime adequate to minimise safety risks associated with the increased uptake of small scale low-emissions technology generators through an expanded feed-in tariff, or are additional safeguards required? How should these safeguards be administered and enforced?</p>	<p>This will depend on the type of low emission technology and how the electricity generated is fed into the grid. If connected via an inverter, the inverter standard should provide adequate safety requirements. Other forms of connection will require more specific safeguards.</p>