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Feed-in Tariff Secretariat
GPO Box 158
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Dear Sir/Madam,

ACT Feed-in-Tariff Review

The Australian Solar Energy Society (AuSES) welcomes the opportunity to provide a submission to the review of the *Electricity Feed-in (Renewable Energy Premium) Act 2008*.

AuSES is Australia's leading scientific, industrial and community organisation dedicated to the adoption of solar energy and the promotion of solar research and development. Its membership consists of solar related companies, academia, research and development agencies, users, community groups and private citizens. AuSES' membership spans the full spectrum of Australia's solar industry, including residential PV and solar hot water, commercial and utility scale operations, and research and development.

AuSES is committed to supporting a strong Feed-in-Tariff in the ACT in order to meet its objectives of promoting the uptake of solar energy in the ACT.

AuSES sees the Feed-in-Tariff as a critical vehicle for delivering residential, commercial and industrial-scale solar throughout the ACT.

Specific comment has been provided below:

Do you believe there should be a cap on the Scheme if it is expanded? If so, what form should the cap take?

Do you believe an annual cap is appropriate? If so, do you believe it can be administered equitably?

AuSES believes that there should not be a cap on systems less than 30kW. The Feed-in-Tariff has provided a stimulus for renewable energy power generation in the ACT. However total installed PV capacity in the ACT is near the Australian average which currently stands at around 0.17%. Against this backdrop there is significant room to move before PV energy generation provides a meaningful contribution to the total.

Cost Savings Available by Expanding PV Generation

Two of the main impacts of renewable energy on the grid are:

- fluctuations in renewable energy generation that are out of sync with demand
- long distance transmission costs when generation is far from consumers

In the ACT the bulk of renewable energy that qualifies for the Feed-in-Tariff is from PV Solar generation, and that generation closely matches peak demand created by the demand from reverse cycle air conditioning.

In the ACT there are no large distances between PV generators and consumers in fact they are pretty much collocated.

At present the PV Solar installations in Canberra are small compared to the total power generation (much less than 1%). Internationally it is generally accepted that until the supply of solar energy reaches between 10-20% of all generation the distribution and transmission system operational cost impacts are manageable (for example without stressing existing infrastructure). The conditions in the ACT of small distances and time of matching of supply and demand suggest the impact on local Distribution and Transmission System Operators will be easily manageable, and may in fact offer **cost savings** to the utilities.

In a review of solar energy costs in the US a recent review notes that:

"Often—during peak demand periods, for example—the price paid by consumers is substantially below marginal cost. "¹

Case for a Cap

AuSES believes that a cap would be appropriate for individual systems above 30kW. Ideally that cap should be set at 15MW per annum, reducing by 1MW per annum over 10 years. This would encourage 115MW of capacity to be added to the grid, bring the total to around 20% of the total electricity used in the Territory.

While AuSES understands that there is significant commercial interest in developing large scale PV deployments in the Territory, the cap would also enable novel business models to be developed including cooperatives, and rooftop leasing by energy companies.

Spreading the cap over 10 years provides the best conditions to create a meaningful target, and sustain employment and other opportunities developed in the sector.

¹ <http://www.rff.org/Documents/RFF-DP-05-01.pdf>

PALMET K et al. "Cost-Effectiveness of Renewable Electricity Policies" on page 18.

Equity would be best encouraged by having proponents 'bid' for allocations under the cap. This would also ensure that the most advanced and cost effective projects were successful on an annual basis.

Do you consider the Clean Economy opportunity to be a significant factor in considering the potential expansion of the Scheme? Would you support the Government taking action to sustain the short-term employment growth arising from that expansion? What sort of actions would you support?

It is important that the scheme provides stability in training, industry development and enables innovation. Specifically the ACT will need to ensure that it has a skilled solar workforce during this period. This includes solar installers, large system design engineers, and qualified solar plant construction personnel.

AuSES would also support energy efficacy measures, both at the household and commercial scale in the ACT to augment the employment creation aspects of the scheme.

AuSES also supports the creation of a Clean Economy Skills Advisory Council to identify the skills, education and training required and ensure that institutions are ready to deliver that training.

If a solar power facility based in the ACT become operational, should only those units of electricity actually sold into and used within the ACT electricity network be considered as potentially eligible for payment of a Premium Price under the ACT Scheme? Should the sale of electricity to an interstate user or on-seller be deemed ineligible?

AuSES believes that there are significant technical challenges in identifying where electricity fed into the grid is used. Until these issues have a practical solution AuSES does not have a view on these issues.

Do you think access to the Scheme should be extended to community-owned generation sites? Should owners or occupiers of unsuitable properties be able to access the Scheme through alternative means? Do you have any views on how the issues identified by the ICRC could be addressed?

AuSES believes that the scheme should be extended to community-owned generation sites. In addition owners and occupiers of unsuitable properties should be able to access the scheme - including through the formation of co-operatives, or solar farms open to investment by the public, and landlords to benefit for the tariff through roof leasing agreements with power generation companies.

AuSES has made comment on the issues identified by the ICRC:

Regulatory

o How would these organisations be established? Would they be co-operatives or commercial enterprises?

They should be commercial enterprises.

What prudential controls would apply?

Corporations Law

o These operations would be significantly bigger than standard household systems. Would these operations need to be licensed as a utility provider under the Utilities Act 2000?

Better to avoid this, perhaps via a limit to the size of each operation.

Should there be a maximum scale to such operations?

See above

o What mechanisms need to be put in place to ensure that eligible residents only participate in one facility and do not double-dip through multiple investments?

The market should drive investment, and there should be no management of this aspect

o What legislative changes are required to allow non-occupiers of a property (a requirement under the current Act) to benefit from the Scheme?

Subject to review by the department

Financial

o On what basis are revenues and costs allocated amongst shareholders?

Same as any other company

o What are the insurance implications? Would each shareholder need to hold their own insurance in case of damage or vandalism?

No – the company would hold the insurance

o Will financial institutions accept the revenue stream from a generator as a form of security for a loan?

For the market to determine

o At present monies derived by individuals from renewable energy investments on their private residence are not considered taxable income. Does this change if the resident chooses to invest in a shared facility to an extent that could be considered semi-commercial in scale?

For example, the average ACT residential solar generator is about 1.8 kW in capacity. Would the taxation treatment change if the off-site investment is for 10 or even 30 kW (the Scheme upper limit)?

A matter for the ATO

Operational

o Are there sufficient suitable sites for such developments? Would unleased Territory land be suitable?

Yes

Would under-utilised public properties be suitable?

Yes – via a roof space leasing model

o The Scheme is only available to occupants/owners of ACT properties. What happens if the shareholder sells their ACT property and moves interstate? Should they be compelled to sell their investment to another eligible party?

The government should not seek to control this. Capital should flow to fund this development.

o What changes would be required to electricity metering and billing systems? Currently the generator is linked to a property electricity supply account. Can this still be done if the two metering points are physically separated at different locations?

This should be allowed in law. How it is delivered in practice should be worked through with the utility.

o What impact would the creation of mini solar- power facilities have on existing sub-station and distribution line capacity? Would additional infrastructure investment be required and who would pay for this?

There may be future costs associated with transitioning the grid to maximise the use of renewable energy.

Should ACT and Commonwealth Government agencies be allowed access to the Tariff? If so, which ones? Both Commonwealth and ACT?

AuSES believes that the ACT and Commonwealth Government should not be able to access the scheme, but instead should be encouraged via other arrangements

For the ACT, all agencies or only certain categories such as health facilities or ACT Housing properties?

As identified in the review document, ACT Housing has a stock of suitable properties for the installation of solar PV. This should be funded via a separate funding mechanism, other than the FiT.

Other government agencies should be encouraged to lease out roof space to commercial solar cooperatives.

If granted, do you think access should be limited and, if so, on what basis?
Should there be restrictions or conditions on the use of the funds by agencies such as redirecting the monies to health or community services?

Covered above.

Do you have any other comments on the potential expansion of the ACT's Feed-in-Tariff Scheme?

One of the risks that the industry has identified is the possibility for future governments to break the power supply agreement. Another increasingly important issue that has not been addressed by government is solar access legislation, providing solar access rights to renewable energy generators.

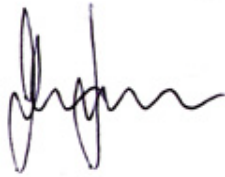
Conclusion

AuSES calls on the ACT government to use the opportunity to further strengthen and promote the role of the Feed-in-Tariff in transforming the energy sector in the territory to a low carbon future. Ensuring there is no cap

on systems under 30kW, and capping installations above 30kW is an important measure in this regard. It is also important that the policy review encourages novel commercial arrangements to advance the adoption of solar energy, including the establishment of corporate co-operatives and allowing for the commercial leasing of all roof space in the ACT.

Should you wish to discuss this further, I can be contacted on 0400 102 396 or ceo@anzses.org

Yours sincerely

A handwritten signature in black ink, appearing to read 'John Grimes', with a stylized, cursive script.

John Grimes
Chief Executive Officer
Australian Solar Energy Society

27th February 2010