



Canberra Business Council Feedback on the Options for an Expanded ACT Electricity Feed-in Tariff Scheme December 2009

Introduction

Canberra Business Council commends the ACT Government and its Inter-Agency Committee (IAC) for the exploration of options for the expansion of the Electricity Feed-in Tariff in the region. We laud the pro-active approach shown in the document and the consultative process. We therefore offer this submission as input for consideration.

We would note at the outset that the key challenge here seems to be how ACT can best move to achieve a low risk, low-carbon power supply for the Territory; ideally minimizing power transmission distance to reduce loss and maximize effectiveness and efficiency.

We trust that our submission assists in achieving this outcome.

Current Environment

The current scheme covers installations of up to 30kw; the document advises that current installations are on average 1.8kw. This suggests that there is a very significant buffer between current and boundary condition and therefore raises the question of whether an expansion is warranted.

Our members seek an environment in which costs are well understood and able to budget into the out years with low risk to assist and support business expansion. The current situation has not yet reached this ideal goal. Further, while Australia coped well during the Global Financial Crisis the availability of small business funding still poses some difficulties.

While noting the current state of the business environment, it should not be interpreted as suggesting that the approach to embrace alternative on-premise or near premise energy solutions is not meritorious. We would note that feed-in

tariff availability should cover all generation technologies and should not be limited to solar and wind as indicated. The development of micro-turbines for natural gas is now considered viable and can achieve efficiencies near 80 percent with significantly lowered carbon output. Including these alternatives might be worth considering as it would diversify and help assure the ACT capability. Further we might also encourage the ACT Government to articulate legislation and policy in technology neutral terms as this area remains rich in innovation and exploration and this approach likely limits legislative management.

Commercial Consideration

Canberra Business Council has been made aware that the cost of electricity might be expected to rise significantly in coming years even without ETS and CPRS legislation being passed and brought to bear on the electricity marketplace due to a lack of national generation capacity development. Changes such as the CPRS and ETS are then likely to further impact price. We therefore suggest that the current 20 year fixed price contract, given the significantly changed environment and projected price change, may negatively impact the return on investment suggested in the options document. This may conspire to reduce the rate of growth of installations seen in the last year or so. We would suggest that consideration be given to an arrangement where the premium offered is maintained in real terms over the period of the contract. We would suggest that this would maintain the positive growth trend and provide certainty for residential and business investors.

Scale and Management of the Developing Sustainable infrastructure

As the ACT Government already seems to appreciate, any commercial expansion of the Feed-in Tariff Scheme should be capped to limit exposure. The evidence in the paper strongly supports the view that a cap is commonly embraced and therefore there seems little to commend any alternative at this time, should Stage 2 go ahead.

The questions then are what should be the cap and whether growth above the current Stage 1 limit should be introduced. CBC would suggest that the limit seems reasonable given the current apparent headroom from the average installed of 1.8Kilowatt. As this is equivalent to the maximum in other Australian jurisdictions, we see no need for expansion at this time.

The concept of an annual cap may be a useful mechanism to ensure that the industry is able to deliver a quality assured product. Avoiding a boom and bust scenario is vital to ensure that the regional distributed infrastructure does not require service or replacement at the same time. However, in the time available, Council has not been able to properly evaluate the modeling and is therefore

unable to comment on what form any cap might take.

Changing the Electricity Supply Structure

CBC sees that the diversification and distribution of the power generation needs across the Territory has a number of clear benefits and indeed may create additional engagement of citizens with government and community. We would note again that the report is heavily slanted to solar technology and that the legislation only entertains solar and wind technologies. It was also noted that no claims for wind technology installations had been received. We do believe that this has implicit risk. It also produces an outcome where 30% of ACT residences are disenfranchised through limitations in either roof structure or roof orientation.

As noted earlier, we feel other emerging technologies including micro-turbine gas generators would produce reduced carbon generation and provide greater flexibility and diversity while enhancing industry installation and delivery capacities. Such flexibility opens participation to those identified as being disenfranchised by the current Scheme. This approach may also be important for businesses with higher power demands or which are sited poorly from a solar perspective.

Participation

Canberra Business Council considers that the ACT Scheme should only be available for power generated in the ACT, since its cost is met by ACT residents. We assume that limiting consumption within the ACT is more difficult and problematic; though it seems reasonable to assert that it should be consumed in the ACT. The basic principle though is commercial simplicity: suppliers should be able to produce but have no influence as to how and where it is consumed.

The report also raises questions of whether the scheme should be opened to ACT and Commonwealth government agencies beyond educational institutions which are already able to participate. Canberra Business Council suggests that given these entities are consumers of public funds that allowing them to be eligible for the premium payment and therefore subsidised twice by Canberra taxpayers seems inappropriate.

The final areas of exploration were embracing tenants in dispute, communal schemes and engaging those on low incomes. Canberra Business Council recognizes that these are vexed issues with no simple answers, particularly where the ACT Government is the landlord. The tenant issue seems to be one where engagement in dispute resolution as provided in all leases should provide the way forward and should be effective. This approach we believe provides simplicity and avoids trying to regulate in such a difficult environment. There are other mechanisms available in the form of rebates which may need further

investigation.

Council notes ICRC's summary of challenges that the Community Ownership issue would raise. Council is not in a position to comment on this concept.

The last element is the engagement, or empowering, of those on fixed or low incomes. This is recognized as an important element to support community participation and social cohesion for the ACT. However this is at its most basic a commercial problem. How can funds be made available to achieve this?

Canberra Business Council posits that this is a case where the double dipping disallowance might be waived and the occupier gets a one-for-one offset and the premium element of the payment is passed to the benefactor whether private or other body. We have not been able to research this idea but it does draw on a micro-loan concept and might assist the social and communal goals as well as the environmental goals.

Clean Jobs and Skilling

Canberra Business Council notes and supports the emerging view that clean jobs are likely to be few in number and the vast majority of change will occur through the transformation and up-skilling of current jobs in trades such as electrical and plumbing. Council supports the view that we should be ensuring that these additional skills are built into course work and that update courses and certification is a priority to ensure that any work is undertaken in a quality assured way.

Canberra Business Council has seen the activity of the ACT Government and its agencies efforts in developing community awareness and nurturing the change in mind-set over recent times and commends this work. We believe that this leadership and engagement of business and the community is highly valuable and must be maintained. However we would caution on balancing this so that we avoid boom and bust cycles that so affect our members and the community.

Proposed Solar Facility

Canberra Business Council has previously indicated its strong support for the development of an ACT solar facility. It obviously delivers a distributed renewable energy source that reduces regional risk in terms of power capacity and finally reduces the carbon emissions of the region.

The discussion paper seeks views on whether Stage 2, should it proceed, be eligible for the premium feed-in tariff. Council believes that this should not be the case as it fails to support the broad policy framework outlined above.

Furthermore, this is a commercial grade facility and as such we believe that to

the extent possible a level playing field should be maintained and that the owner/operator of the facility should be encouraged to ensure that it is large enough to participate in the National Electricity Market and should not be drawing on taxpayer funds.

Summary/ Recommendations

In summary, Council believes that this scheme appears to be working well and that it should be maintained. We think that the current limit is sensible and is in-line with other states industrial limits. We therefore believe that this should be maintained and Stage 2 deferred.

On the issue of introducing a cap, we see that this might well be a sensible measure to consider so that the regional capability is managed to ensure both quality of installations and to avoid the introduction of boom-bust dynamics into the sector and region. It would seem sensible to suggest that a cap be set in line with national policy objectives ie., 20 percent renewable power by 2020.

Council is of the view that broadening the eligible technology base so that there are options for those premises (business and residential) that cannot deploy wind or solar is a simpler approach than to explore complex arrangements such as community ownership. Further this approach has the potential to further diversify the power sources for the region that is seen to be beneficial. We also consider that the proposed Solar Power Facility would add to this diversity but do not see at this stage that it should be part of the Feed-in Tariff Scheme.

On expanding the eligibility to Commonwealth and ACT Government agencies we suggest that there are some issues here needing to be resolved. Paying a premium feed-in tariff to such entities is inappropriate and policy should be enacted to ensure these bodies receive only a one-for-one offset for renewable energy generation.

Finally from a perspective of social inclusion we would venture to suggest that investment in community properties might be encouraged and that in such circumstances that an offset (one-for-one) is applied to the resident and that the premium should accrue to the investor. We recognized that this could be perceived as 'double dipping' but with division of benefit and possible social and community capital opportunities it is worthy of further consideration.

Council has focused on achieving strategic goals and policy using the simplest and most pragmatic approaches. We believe that it is vitally important that we avoid complexity and difficulties of regulation and governance in an area, given the difficult for many in understanding the science, technology and methodology options.

Council trusts that this feedback assists and will further discuss any or all of the

ideas put forward if requested.

Canberra Business Council
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