



Submission by
Alternative Technology Association

Driving Investment in Renewable Energy in Victoria

Issues Paper

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Introduction

ATA commends the State Government's initiative to examine options for a market-based measure for achieving renewable energy targets in Victoria, congratulates the Government on the release of the *Driving Investment in Renewable Energy in Victoria* Issues Paper and welcomes the opportunity to offer comment.

ATA is a consumer organisation established in 1980. ATA stimulates the uptake of sustainable technologies in order to protect our environment. The organisation provides service to over 3000 members, who are actively promoting sustainability in their own homes by using good building design and implementing water conservation and renewable energy technologies. ATA advocates in both the government and industry arena for ease of access, and continual improvement, of these technologies, as well as the production and promotion of information and products needed to change the way we live.

The focus of this submission is on issues of concern to small-scale embedded generators. Small-scale domestic renewable energy systems have a significant role to play in reducing both greenhouse gas emissions from electricity generation and infrastructure costs of upgrades to the network (due to their embedded nature). Additionally, solar photovoltaic generation has the capacity to supply electricity at times of peak load, providing significant economic benefit by reducing the wholesale cost of electricity at these times.

Specific Response

3.2 KEY DESIGN ISSUES

3.2.1 Start date

In order to effectively reach a 10% target by 2010 ATA believes that the start date needs to be as soon as possible. This is due to most economically favourable projects having a lag time of around 18 months from design to generation. A delayed start date would not only jeopardise the possibility of reaching the 10% target by 2010, but also result in skewing the market in favour of projects with reduced lag time, at greater economic costs.

Whilst ATA acknowledges that a considerable amount of work needs to be done on design, consultation, implementation and promotion of the scheme, we favour legislative framework to be in place by mid-2006, with detailed regulation to follow by the end of the year. This would create an environment of greater certainty from the very beginning of the project.

3.2.4 Technology neutral vs. portfolio approach

ATA believes that a portfolio approach will support renewable energy technologies with numerous economic and environmental advantages over a technology neutral approach. Whilst a technology neutral approach may be perceived to have the economic advantage of favouring low-cost technology, there are a number of hidden costs and complications of some of these technologies. For example, large scale generation facilities such as wind farms require network augmentation for the transmission and distribution of electricity from a single location. Such costs can be avoided by promoting embedded generation technologies.

Embedded or distributed generation, such as small-scale domestic solar photovoltaic electricity generation (PV), has a number of additional advantages over a small number of large, remotely-located generators:

- reliability of supply is improved by diversifying generation options;
- transmission losses are reduced through generation close to the point of use;
- individuals and communities gain greater control over their electricity generation;
- employment opportunities are improved, with small-scale renewable projects demonstrated to provide more jobs per MWh of electricity produced than conventional energy sources.

Solar PV has the additional and significant advantage of being able to provide electricity during times of peak demand. In Victoria, demand peaks typically occur on hot summer afternoons, at a time when the generation capacity of solar PV is at its highest. With wholesale electricity costs reaching as high as \$10,000 per MWh during these peaks, solar PV has a significant role to play providing electricity and thus reducing the spot price of electricity during these peaks.

ATA believes that the above advantages of embedded generation, and of solar PV in particular, needs to be acknowledged, and encourages the Government to adopt a portfolio approach in setting targets, favouring renewable energy technologies which are suited to this application.

3.2.5 End date

With a minimum payback time of 15 years for renewable energy projects, and some technologies in excess of that, ATA would support projects' ability to generate certificates for at least 20 years after commencing generation. This would ensure an appropriate level of

investment security for the renewable energy sector. Additionally, ATA strongly believe the project should continue beyond the 2010 proposed end date.

The Issues Paper outlines the problem of an increasingly diminishing percentage of overall generation for renewables beyond 2010, as consumption increases with time and the initial target remains stationary. ATA supports the continuation of the project beyond 2010 to recognise this fact. Whilst we feel that a target greater than 10% would be desirable, cyclic targets should be set – perhaps every 3 years to allow for certainty of investment – to ensure that the target remains at 10% minimum over the longer term. ATA feels that the additional infrastructure and investment required to maintain this level should be supported by the proposed Scheme, again with the ability to generate certificates for 20 years after commission, on an ongoing basis.

3.2.7 Administration

ATA favours an approach to administration which reduces duplication of costs with the national MRET scheme to the greatest extent possible. At the same time, it is essential that the process of redeeming certificates is modified to empower small-scale generators to obtain an appropriate price for their certificates.

ATA believes a major deficiency in the MRET scheme is that no information is published on the actual prices paid for renewable energy certificates (REC). This is not to development of a 'free market' for RECs, and leaves small-scale generators, eligible for certificates, at a disadvantage when they come to sell their certificates, as they are required expend a lot of effort seeking quotes for RECs in order to obtain a suitable price.

ATA would encourage the Victorian scheme administrator to require liable parties to publicly disclose the price they pay for certificates. This would enhance the position of small-scale generators when either negotiating with liable parties, or with Agents, for the sale of their certificates.

Any questions regarding this submission should be forwarded to Brad Shone, Energy Policy Officer, ATA, by phone 9415 2105 or email: Brad.Shone@ata.org.au