

## Submission Template

### Discussion Paper – Enhancing the Renewable Energy Target

#### Overview

This submission template should be used to provide comments on:

***Australian Government Discussion Paper – Enhancing the Renewable Energy Target, March 2010***

The purpose of the discussion paper is to outline the Government's policy on the new RET design and to seek stakeholder views on implementation aspects.

#### Contact Details

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<b>Date:</b>	7 April 2010

#### Confidentiality

All submissions will be treated as public documents, unless the author of the submission clearly indicates the contrary by marking all or part of the submission as 'confidential'. Public submissions may be published in full on the Department of Climate Change and Energy Efficiency website, including any personal information of authors and/or other third parties contained in the submission. If any part of the submission should be treated as confidential then please provide two versions of the submission, one with the confidential information removed for publication.

A request made under the *Freedom of Information Act 1982* for access to a submission marked confidential will be determined in accordance with that Act.

**Do you want this submission to be treated as confidential?**     Yes     No

#### Submission Instructions

Submissions should be made by **close of business 14 April 2010**. The Department reserves the right not to consider late submissions.

Where possible, submissions should be lodged electronically, preferably in Microsoft Word or other text based formats, via the email address - [RET@climatechange.gov.au](mailto:RET@climatechange.gov.au).

Submissions may alternatively be sent to the postal address below to arrive by the due date.

Renewable Energy Target section  
Department of Climate Change and Energy Efficiency  
GPO Box 854  
CANBERRA ACT 2601

<b>SRES Implementation Options</b>
<p><b>Establishing a clearing house mechanism</b></p> <p><i>Would liable entities and SREC suppliers want the flexibility of trading outside the clearing house?</i></p>
<p>Yes, but please see comments below.</p>
<b>SRES Implementation Options</b>
<p><b>Providing certainty to liable entities – determining annual liability</b></p> <p><i>The Government is seeking views on which of the options above or other options would provide adequate certainty for electricity retailers and other liable entities under the RET.</i></p>
<p>No comment.</p>
<b>SRES Implementation Options</b>
<p><b>Ensuring the timely purchase of RECs – annual or periodic surrender of RECs</b></p> <p><i>Would periodic surrender give SREC holders timely purchase of their SRECs?</i></p> <p><i>Would quarterly surrender allow liable entities to align their SREC surrender processes with existing business requirements and pricing of electricity?</i></p>
<p>It depends on how frequently the periodic surrender occurs. The cost of carry will be a major issue for SREC holders.</p>
<b>Other Issues</b>
<p><b>The treatment of existing forward contracts</b></p> <p><i>Views are sought on the proposed approach for recognition of 'pre-existing contracts'.</i></p>
<p>All RECs delivered under pre-existing contracts, regardless of origination, should be available to liable entities to meet their liabilities under the proposed LRET.</p>
<b>Other Issues</b>
<p><b>Assistance for emissions-intensive, trade-exposed (EITE) entities</b></p> <p><i>The Government is interested in stakeholder views on the implications of the LRET and SRES on the partial exemption regulations for EITEs and the proposed approach.</i></p>
<p>No comment.</p>

## Any additional comments

### General Comments

Based on the current RET Scheme, **the installation of small-scale technologies does not create an SREC**, it simply establishes the **right** to create a SREC.

The paper seems to confuse the right to create an SREC with a “created SREC”. In doing so it also seems to confuse the **Originator** (a person or organisation that installs an SGU and establishes the right to create an SREC) with an **Eligible Party** (a person or organisation that is a REC Registry account holder and registered with ORER to create an SREC).

### Features of the SRES that are settled

In the section of the paper on “Features of the SRES that are settled”, it is stated that:

*“The new SRES has been designed to deliver households, small businesses and community groups \$40 for each REC created by small-scale technologies”* – page 8, and

*“The new fixed price of \$40 per SREC will provide a Sydney household that installs a 1.5 kilowatt solar panel system in 2011 with an **upfront subsidy of \$6,200** through SRECs”* – page 8

Both these statements imply that the **Originator** will be guaranteed \$40 for each SREC that is created following that installation. Is that correct?

Presumably “upfront” means by way of a point-of-sale discount. This requires a business to carry the cost of the point-of-sale discount and processing until the SRECs are paid for by the proposed Clearing House.

As a “feature of the SRES that [is] settled”, how is it proposed that the Scheme will deliver this **upfront** subsidy?

### Implementation

*“Installers will have an incentive to provide their customers with an upfront discount on the price of installation, in exchange for transferring ownership and the value of their SRECs”* – page 11

An Installer may not be an Eligible Party. What is the incentive for the Installer? How does the revised Scheme deliver this incentive?

### Trading of SRECs

*“The SREC price ... will be fixed at \$40” – page 10*

*“Parties will be able to trade SRECs prior to the acquittal date” – page 11*

*“SRECs are likely to be traded before the acquittal date at the \$40 value, less the ‘cost of carry’” – page 15*

How is this possible if there is a fixed price of \$40 for an SREC?

### Treatment of Costs

*“Under the SRES, SRECs will be created as per the current processes administered by the Regulator” – page 11*

An SREC has to be created by a person or entity that is a REC Registry Account Holder and Registered with ORER (i.e. an **Eligible Entity**).

There are only two ways for “households, small businesses and community groups” (**Originators**) to obtain value for an activity that establishes their right to create a REC:

- assign their **right** to create RECs to a registered agent (an **Eligible Entity**) in exchange for a financial benefit (e.g. cash payment, point-of-sale discount on SGU), or
- establish an account in the online REC Registry and become a Registered Person with ORER, and then create RECs themselves (i.e. become an **Eligible Entity** themselves).

In both cases there is a cost of processing and a cost of carry caused by the delay in the receipt of the payment for the RECs created. Both these issues carry over into the SRES.

Two major issues therefore require consideration:

- Cost of processing, and
- Cost of carry (i.e. the opportunity cost of holding SRECs until they are required to be surrendered or sold).

Who does the Government expect to bear the cost of processing and creation of SRECs and the cost of carry until the acquittal date? How will these costs be met given that the Scheme guarantees Originators \$40 for each SREC and Liable Entities only have to pay \$40 for each SREC?