



Environmental Defender's Office ACT Inc.



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Mr Mick Gentleman MLA
GPO Box 1020
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Dear Mr Gentleman MLA

Electricity Feed-in (Solar Premium) Bill 2007

The EDO (ACT) would like to congratulate you on tabling a Private Member's Bill proposing a Feed-in Tariff (FiT) scheme for the ACT and providing the opportunity to comment on this very important piece of proposed legislation. This Office strongly supports Feed-in Tariff laws and views such laws as an integral part of encouraging the production of electricity from renewable sources, which in turn is an integral part of tackling climate change by reducing greenhouse gas emissions.

Evidence from overseas has found that the introduction of feed-in-tariff laws have proven the most effective mechanism for increasing the use of renewable energy sources in the electricity sector.¹

The EDO is pleased that the proposed Bill includes what this Office views as important elements of an effective feed in tariff regulatory scheme:

- i) an obligation on the electricity distributor to connect renewable energy generators to the network (as provided for in subclause 6(2)(a) of the Bill);
- ii) an obligation on the electricity distributor to buy the electricity supplied (as provided for in subclause 6(2)(b) of the Bill); and
- iii) payment for renewable energy generated to be calculated on gross, not net production (as provided for in subclause 6(3) of the Bill);.

However the Office makes a number of recommendations that in our view would improve the operation of the Bill and the effectiveness of the FiT scheme. It is recommended that the Bill should provide:

¹ In his report on the economics of climate change, Sir Nicholas Stern compares FiTs with tradable quotas and concludes that a FiT scheme achieves a larger deployment at lower costs (Stern, Sir N, *The Stern Review: The Economics of Climate Change* (2006), Chapter 6 at p 366)

- i) a requirement that the connection be made within a specified time, or a reasonable period;
- ii) a guaranteed reasonable rate of return over a set 20 year period; and
- iii) simple transparent rules for the cost of connection.

1. Priority connection

Currently the Bill requires an electricity distributor to connect a renewable energy generator to the distributor's network on application of the occupier of the premises (subclause 2(1)). This Office strongly supports this requirement and is of the view that a legislative obligation to connect renewable energy generators to the grid is a fundamental element of an effective FiT scheme. Without this obligation there would be no certainty for renewable energy generator investors that they would be successful in having their systems connected to the network.

However, in addition to this requirement, this Office recommends that the Bill require the connection to be made within a specified timeframe or within a reasonable period. Without any legislative timeframe for connection, there is a concern that there will be no incentive for distributors to connect renewable energy generators promptly. Indeed, given the requirement for distributors to pay a premium rate for electricity supplied from these sources, there may be a reluctance to connect renewable energy generators as a priority.

In Germany Fit laws have been in operation since 1991 and are widely regarded as a successful FiT scheme. The German law imposes an immediate and priority obligation. Priority rights of grid access and connection are also given to renewable energy producers in Spain.

2. Reasonable rate for set 20 year period

The current provisions of the Bill set an initial premium rate for payment for renewable energy generated at 3.88 times the highest retail price of electricity for a domestic customer (subclause 9(4)).

This Office supports a premium rate of this amount and considers it necessary to provide a strong incentive for people to install renewable energy systems. However, the Office is concerned that the current proposal does not provide the long term financial certainty required to encourage rapid take up of renewable energy.

The proposed Bill allows the Minister to determine the premium rate payable for each financial year (subclause 9(1)). Therefore the rate payable for renewable energy could drop significantly almost immediately if the Minister so determined.

To ensure that people will invest the considerable amount of money necessary to install renewable energy generators, it is recommended that the legislation should guarantee a certain price for a set period. In this

Office's view, the appropriate period for a FiT is 20 years. This is the timeframe adopted in Germany and more recently in South Australia.

3. Simple transparent rules for cost of connection

An effective FiT law should provide clear provisions setting out who bears the costs of connecting renewable energy generators to the network. It is noted that subclause 6(2) requires a distributor to connect a renewable energy generator to the distributor's network. This obligation necessarily implies that the distributor pays any costs associated with the connection. However, without specific reference to whom bears the costs of connection, disputes may arise. Therefore this Office recommends that the Bill be amended to clarify this. Alternatively the Explanatory Memorandum accompanying the Bill should explain that the distributor bears the cost.

The EDO is of the view that with the amendments suggested above, the Bill would be an effective mechanism for tackling climate change by encouraging the replacement of fossil fuel-based power with clean renewable energy sources.

I have attached a copy of the EDO's submission to the ACT Chief Minister's Department on the Feed-in-Tariff Discussion Paper.

The EDO looks forward to the introduction of effective FiT laws in the ACT.

Please do not hesitate to contact me if you would discuss the issues raised in this submission further.

Yours sincerely

Kirsten Miller
Principal Solicitor

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