



Fact Sheet

Enhanced Renewable Energy Target – fact sheet

Introduction

On 24 June 2010 the Commonwealth Parliament passed legislation to separate the Renewable Energy Target (RET) into two parts from 1 January 2011 - the Small-scale Renewable Energy Scheme (SRES) and the Large-scale Renewable Energy Target (LRET).

Liable entities will need to meet obligations under both the LRET and SRES by acquiring and surrendering Renewable Energy Certificates (RECs) created from both large and small-scale renewable energy technologies.

Small-scale Renewable Energy Scheme (SRES)

The new SRES has been designed to deliver households, small business and community groups \$40 for each REC created by small-scale technologies like solar panels and solar water heaters.

The Renewable Energy Regulator will establish a voluntary 'clearing house' as a central point for the transfer of small-scale RECs at \$40. There will be no cap on the number of small-scale RECs that can be created. In most cases, householders will continue to get the value of RECs immediately, as an agreed upfront discount on the cost of installing their solar water heater or solar PV system, as they do under the current arrangements.

In order to ensure the \$40 clearing house price in the SRES remains relevant over time, the legislation establishes a process to review the price, if necessary. Before making any determination to reduce the \$40 price, the Minister must obtain and take into consideration independent advice on a number of issues, including: changes in the costs of solar PV and solar water heaters; the extent to which owners of solar PV and solar water heaters contribute to the upfront costs of those systems; and the impact of the clearing house price and the levels of installation of solar PV and solar water heaters on the electricity market, including on electricity prices.

To ensure the smooth operation of the small-scale market, the legislation also stages the flow of RECs. The regulations will establish an estimate each year for the number of small-scale RECs needed to be acquired by liable entities. The target will be set to align with expected rates of REC creation based on historic rates, analysis of government support, and expert judgement. Based on this target, liable entities will be required to surrender RECs in proportion to their LRET liability four times a year.

Eligibility

Small generation units (small-scale solar photo-voltaic, small wind turbines and micro hydroelectric systems) and solar water heaters will be eligible to create small-scale RECs under the SRES. However, the new legislation stipulates air source heat pumps with a volumetric capacity over 425 litres are excluded from creating RECs if installed on or after 29 June 2010 (subject to any transitional arrangements prescribed by regulations).

Solar Credits

The SRES has been designed to work within existing 'deeming' arrangements. This includes the Solar Credits mechanism which currently provides five times as many RECs to those installing small-scale rooftop solar photo-voltaic systems. To provide flexibility to deal with changes in the cost of solar panels, the legislation now allows for the Solar Credits multiplier to be adjusted by regulation, as well as the size of the system it applies to. The Government will consult on draft regulations to implement these arrangements later this year.

In addition, from 29 June 2010 the Solar Credits multiplier will also apply to off-grid systems up to the first 20 kilowatts of a system capacity, subject to an annual cap on the total number of RECs created under this provision.

Large-scale Renewable Energy Target (LRET)

The LRET, covering large-scale renewable energy projects like wind farms, commercial solar and geothermal, will deliver the majority of the 2020 target.

The LRET will include legislated annual targets and will operate much the same as the current RET, but as a separate scheme to the SRES. From 2011 to 2030, the annual targets for the LRET will be set at 4,000 gigawatt-hours (GWh) per year less than the previous RET targets, reaching 41,000 GWh by 2020. This is to take account of the separate mechanism to support small-scale renewable energy systems under the SRES. The new LRET annual targets are listed in the table below.

| Year | Revised targets (GWh) |
|-------------|-----------------------|
| 2011 | 10,400 |
| 2012 | 12,300 |
| 2013 | 14,200 |
| 2014 | 16,100 |
| 2015 | 18,000 |
| 2016 | 22,600 |
| 2017 | 27,200 |
| 2018 | 31,800 |
| 2019 | 36,400 |
| 2020 - 2030 | 41,000 |

Existing banked RECs will be available for use in the LRET but not for the new SRES. However, in the event of very high numbers of RECs being created in the last six months of 2010, the legislation includes a provision to temporarily increase the target in 2012 and 2013. Any increase will be offset by reducing targets by the same total amount of RECs between 2016 and 2019.

Safety, compliance and enforcement

The legislation also strengthens the compliance and enforcement framework in the RET. The changes are focused on ensuring that RECs are not created improperly and the Renewable Energy Regulator has clear enforcement tools to deal with such situations. This includes a new civil penalty regime, enforceable undertakings and injunction powers.

The legislation also requires that a program be established to inspect small generation unit installations for compliance with Australian standards and requirements relevant to the creation of RECs. This measure will ensure that systems installed under the SRES continue to be of a high standard, and will complement the safety provisions announced by the Government on 21 June 2010 which require small generation unit installations to obtain additional compliance documentation before RECs are created.

More information

For a copy of the *Renewable Energy (Electricity) Amendment Act 2010* go to the ComLaw website:

www.comlaw.gov.au/comlaw/management.nsf/lookupindexpagesbyid/IP200401840?OpenDocument.

For more information on the implementation and administration of the changes go to:

www.orer.gov.au.