



public interest
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**Affordable renewables: Submission to the
Design Options for the Expanded National
Renewable Energy Target Scheme**

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The Public Interest Advocacy Centre

The Public Interest Advocacy Centre (PIAC) is an independent, non-profit law and policy organisation that seeks to promote a just and democratic society by making strategic interventions on public interest issues.

PIAC identifies public interest issues and, where possible and appropriate, works co-operatively with other organisations to advocate for individuals and groups affected.

In making strategic interventions on public interest issues PIAC seeks to:

- expose unjust or unsafe practices, deficient laws or policies;
- promote accountable, transparent and responsive government;
- encourage, influence and inform public debate;
- promote the development of law—both statutory and common—that reflects the public interest; and
- develop community organisations to pursue the interests of the communities they represent.

Established in July 1982 as an initiative of the Law Foundation of New South Wales, with support from the NSW Legal Aid Commission, PIAC was the first, and remains the only, broadly based public interest legal centre in Australia. Financial support for PIAC comes primarily from the NSW Public Purpose Fund and the Commonwealth and State Community Legal Centre Funding Program. PIAC also receives funding from the NSW Government Department of Energy and Water for its work on utilities, and from Allens Arthur Robinson for its Indigenous Justice Program. PIAC also generates income from project and case grants, seminars, consultancy fees, donations and recovery of costs in legal actions.

Energy + Water Consumer Advocacy Program (EWCAP)

This Program was established at PIAC as the Utilities Consumers' Advocacy Program in 1998 with NSW

Government funding. The aim of the Program is to develop policy and advocate in the interests of low-income and other residential consumers in the NSW energy and water markets. PIAC receives policy input to the Program from a community-based reference group whose members include:

- Council of Social Service of NSW (NCOSS);
- Tenants Union;
- Combined Pensioners and Superannuants Association of NSW (CPSA);
- Park and Village Service;
- Ethnic Communities Council NSW;
- Rural and remote consumers; and
- Institute of Sustainable Futures, University of Technology

Introduction

PIAC welcomes the opportunity to provide comment to the COAG Working Group on Climate Change and Water on the design of the Renewable Energy Target (RET) scheme.

To mitigate the impacts of climate change on our society, environment and economy, PIAC recognises that Australia must move away from emissions intensive electricity generation. It is acknowledged however, that the prospect of a low carbon price in the early years of the Carbon Pollution Reduction Scheme (CPRS), together with the provision of compensation for coal-fired power generators, means the capacity of renewable energy generators to compete in the national electricity market will be limited. In view of these constraints, PIAC supports a mandatory expansion of market share for renewable electricity generators as proposed by the RET.

We are, however, concerned about the impact of the scheme on low-income and other residential consumers of electricity. Obliging retailers and large users to purchase an increasing proportion of their electricity from renewable sources will increase their costs that will then be passed on to consumers via higher electricity prices.

It is understood that the Department of Climate Change is undertaking modelling to determine, amongst other things, the cost implications of different options for the RET. It is disappointing that this analysis was not released with the consultation paper as it would have assisted PIAC to formulate detailed responses to the design options. Despite this impediment, PIAC makes the following general observations in the interests of residential electricity consumers.

Consumer protections

Increases in the price of electricity as a result of the RET will adversely affect some low-income earners who typically have little discretionary energy use and expenditure. Some of these households will respond to larger electricity bills by reducing their electricity consumption at a risk to their health, safety and comfort. Others will pay the extra bill by curbing purchases of other essential goods and services or by going into debt. Combined with pending electricity price rises on account of electricity network augmentation, smart meter installation and the emissions trading scheme, price increases from the renewable energy target may thus lead many low-income households to experience a decline in standards of living.

PIAC contends that this adverse impact on some consumers must be considered in conjunction with the design of the scheme and offers the following recommendations:

- Increased electricity prices from the RET should not be passed through to low-income earners or should be countered with a rebate on electricity bills.
- RET induced price increases should be assigned to consumption rather than fixed electricity charges. This is because low-income households tend to consume less energy than high-income households so are disproportionately affected by higher fixed charges. Linking these price increases to consumption charges also creates an incentive for residential consumers to reduce their energy consumption.
- Low-income consumers should be eligible for energy efficiency programs to assist them to reduce their electricity use, emissions and bills. These should include:

- Home energy audits that recommend behavioural change and equipment upgrades and include provisions for follow up appointments for households in need of ongoing support.
 - Installation of ceiling insulation and low energy lighting and replacement of electric hot water heaters with solar hot water heaters. This service should be available free of charge for pension and benefit recipients and at a low cost to low-income earners.
 - Significant rebates for the purchase of four star energy rated appliances to encourage the replacement of older inefficient appliances. The availability of no interest loans schemes would also assist with these purchases.
 - Mandatory energy efficiency labelling to assist consumers to make informed purchases of new and second hand appliances.
 - Incentives for landlords and tenants to improve energy efficiency where property ownership fails to provide adequate motivation.
- All consumers should be given adequate information about the objectives and impacts of the RET including notification about the proportion of their electricity charges that contribute to the scheme. This information should be updated as targets and other aspects of the RET change.
 - Retailers should inform consumers already accessing GreenPower that the RET is in addition to existing consumption of renewable electricity and should afford them the opportunity to reduce their voluntary uptake of renewable power without fees associated with a termination of contract.
 - If caravan park owners who sell electricity are included in the RET, safeguards needs to be in place to ensure residential park tenants do not experience disproportionate increases in electricity prices. They should also be eligible for rebates on their electricity bills to offset price increases.

Targets

PIAC supports the expansion of the RET to ensure at least 20 per cent of Australia's electricity is generated from renewable sources by 2020.

PIAC also agrees that the targets for the RET should be ramped up gradually over the life of the scheme so that consumers experience incremental adjustments in bills rather than sharp increases that may follow large movements in targets.

Eligible Sources

The design options paper neglects to reference the inclusion of small generation systems including photovoltaic, mini electric hydro and small wind systems. PIAC believes that this model of distributed generation is in the long term interests of consumers and recommends that these renewable energy generation units should continue to be able to generate renewable energy certificates to offset the costs of installation.

Acknowledging their inclusion may reduce the overall cost of the scheme, PIAC questions the inclusion of solar hot water heaters in the RET because they do not directly improve Australia's capacity to generate more electricity from renewable sources. PIAC suggests the Working Group on Climate Change and Water considers whether there are more efficient ways to incentivise consumers to replace hot water heaters such as augmenting existing state or federal rebates.

Duration and phase-out

As the price of carbon increases under the CPRS and new investment in renewable technologies brings economies of scale, renewable electricity generators will become naturally competitive with coal-fired power generation. PIAC advocates the RET should be phased out as these forces take over the role of the RET in delivering market share. PIAC also contends that the contraction of this scheme should take no longer than necessary to avoid unnecessary costs to consumers.

Compliance Mechanisms

PIAC believes that a shortfall charge should be set to both encourage adequate investment in renewable electricity generation and safeguard consumers against significant increases in the price of electricity. Where retailers and large users of electricity choose to pay the shortfall instead of acquiring renewable energy certificates, the revenue should be employed for research and development of renewable energy, subsidies of distributed generation for low-income earners, and network development that will complement a low emission energy generation industry.

Trade Exposed Electricity Intensive Industries

PIAC welcomes the suggestion that trade exposed electricity intensive industries should be included in the RET. Their participation ensures the cost of realising the 60,000 gigawatt hour renewable electricity target will be shared by industry and residents. This is reasonable when it is considered that industry employs electricity to generate a financial return on investments whilst residential consumers use electricity to secure an adequate standard of living.

Conclusion

PIAC supports an expanded RET that will facilitate investment in renewable electricity generation and pave the way for a low emissions energy industry. Acknowledging this, PIAC deems it important that the design and implementation of the scheme minimises the cost to consumers and advocates for measures to protect low-income and other residential consumers from adverse impacts including increases in the price of electricity.