

20/05/2011

Dear Minister,

I write to express my alarm with the recent decision to retrospectively change the contracts under the Solar Bonus Scheme (SBS) and increase the scheme by an extra 65MW.

The current Liberal government were very clear in their election campaign stating they would honour their commitment to the SBS. The commitment (which was displayed on the Barry O'Farrell website) stated:

*"The NSW Liberal & Nationals policy will ensure that NSW leads Australia in establishing a decentralised energy sector, **by honouring the State Government's current commitments** and improving the scheme to make it more effective."*

Hon Catherine Cusack also went on the record on 27/10/2010 in her 8.15pm speech saying *"I state for the record that a future O'Farrell Government will honour all accepted applications as a matter of faith. The opposition's longstanding opposition to retrospective change will mean that all applications accepted by the Government will be honoured by a future O'Farrell Government."*

As the director of a substantial solar business on the Central Coast of NSW that has been in operating for 10years, I have deep concern as to these changes and the implications for my customers, staff and business.

The confusing thing about this change is that on one hand the government are increasing the cost of the scheme by extending it to a further 65MW of new connections whilst on the other attempting to slash the cost of the scheme by punishing those already on the scheme. As an industry we continue to plead with Governments to give us consistency in policy and support and see schemes out as they were originally planned.

The move to reduce the Feed In Tariff (FIT) from \$0.60 to \$0.40 as of the 1/7/2011 will have a devastating effect for years to come. We have installed solar power systems for people based on a wide range of social economic reasons as well as a wide demographic of people which range in size from 1kW to 10kW. These people have answered the governments call to invest into the infrastructure of this state and help ease the growing burden our increasing population is putting on an aging power network.

My main concerns are as follows:

- My customers in a financial position who have used years of savings or borrowed money to invest in protection against rising power prices into the future. Some of these people include pensioners whom we have advised to install a system that covers their electricity bills into the future based on the \$0.60 tariff. This reduction means these people who didn't have to worry about another bill for the duration of the scheme will now have the stress and worry of these bills all over again combined with loan repayments or reduced savings.
- The people who have borrowed or used funds that could have been invested elsewhere however have chosen to support the NSW government and NSW public by investing in this infrastructure. Rightfully so these people should be honoured with the \$0.60/kWh FIT as they are helping keep the electricity prices down by reducing the need for a new power station or infrastructure upgrades.
- The message this sends to investors looking to assist NSW and Australia become more sustainable. What the NSW Liberal party are doing destroys any confidence for the future investment into Solar Power in this state for YEARS to come. Retrospective changes to contracts are not only going to affect existing customers on the scheme but will also have devastating affect into the future. These changes are un-fair and un-just. The public have to abide by every last detail in your contract to them or they risk losing or dropping to a lower FIT, yet the government can make any change they want, this is not fair on the 120 000 people under the scheme.
- The idea that customers will still pay off their systems in 4 yrs is ridiculous. Clearly the Liberal party have not done sufficient research into this matter. It's been widely documented that the average system size is 2.3kW. Based on the Clean Energy Council's (CEC) Consumer guide a 2kW system in March 2010 cost \$15675-\$17380 before Recs/STC's. Based on Zone 3 a 2kW installation receives 165 STC's. With an inflated price of \$40/STC (for the NSW government's calculations sake) this offers \$6600 discount off the CEC stated price. This leaves the customer with a price range between \$9075 - \$10780. The CEC also state that a 2kW system installed in Sydney will produce 7.8kWh/day on average. On the \$0.40 FIT as Mr O'Farrell is proposing, this results in \$3.12/day or \$1138.80 annually. It doesn't take much to see that over 4 years = \$4555.20, well short of the outlay cost of \$9075-\$10780.

- The other concern I have is that the government and media are continually referring this decision as increasing the cost of power or disadvantaging those who are not part of the scheme. The previous Labour government accepted the full cost of this scheme as a government expense therefore it is completely un-related to rising power costs. If anything the SBS has assisted in keeping power prices lower due to the 300+MW power station it has created with no upfront outlay for the people of NSW.
- My final area of concern relates to the lack of confidence this decision creates with any future related or unrelated Government Incentive Schemes. How will anyone, private or business, in the future be able to trust any Government Incentive Scheme if the incentives can be withdrawn in part or all at a future date with retrospective legislation?

I strongly urge you to re-consider this policy and change to at least have the Government honour existing contracts as they have been signed. Vote no to retrospective changes to contracts and restore fairness in NSW and protect the reputation of the state as a safe and stable place to invest and do business.

Regards,



Derek Woods

Director
Superior Solar

