



Electricity Supply Amendment (Solar Bonus Scheme) Bill 2009

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The Hon. CATHERINE CUSACK [12.22 a.m.]: The Electricity Supply Amendment (Solar Bonus Scheme) Bill 2009 seeks to establish a gross feed-in tariff lasting seven years for small-scale solar photovoltaic panels and wind turbines commencing on 1 January 2009. The scheme will pay 60¢ per kilowatt for all electricity generated by systems of up to 10 kilowatts by residential households, small businesses and community groups. It will increase the uptake of small-scale renewable energy in the community.

Feed-in tariffs exist in around 50 countries in the world, and in most Australian States and Territories. The Australian Capital Territory is the only jurisdiction in Australia that currently has a gross feed-in tariff. It is important to understand the difference between a gross feed-in tariff and a net feed-in tariff. A residential household with solar panels will use much of the energy being generated by the panel. Most households will need to draw extra electricity from the grid. A net tariff, which was the Government's policy up until a few days ago, pays a consumer who uses less electricity than they are generating for the electricity they are feeding back into the grid. It is a miserly policy that penalises people who are users during the day—and that tends to be people who are not working and who are generally on lower incomes.

A gross feed-in tariff pays people for all the power they generate, including the power they use. A gross feed-in tariff recognises that those who generate renewable energy are assisting the State in avoiding the immense infrastructure costs associated with building a new coal-fired power station. We do not want any more of these facilities, because they are escalating our greenhouse gas emissions at a time when we are trying to reduce them. Secondly, the cost of construction will dramatically increase the cost of coal-powered electricity. A gross feed-in tariff makes it cost effective for consumers to make the switch to renewable energy: it relieves pressure on the grid, helps the environment and is the way of the future. A net feed-in tariff, which was the previous Minister's policy, is too miserly to make the necessary difference.

Globally, feed-in tariffs make a more secure environment for investment in renewable energy industries—reducing costs through economies of scale and by providing stable investment patterns, and creating jobs in green manufacturing, servicing and finance. For this reason the Liberal Party and The Nationals have long advocated a gross feed-in tariff. However, the rules of the scheme as outlined in the bill are not at all what we had envisaged. In spite of our concerns, which I will outline in a moment, we will not oppose the bill, because despite the flaws the bill is better than nothing at all. If we are to have a Solar Bonus Scheme effective as from 1 January, then this is it, so we really have no alternative but to allow it.

I have consulted widely on the proposed scheme, and the overwhelming view of the solar industry is that this is one of the shortest, strangest and most oddly cobbled together schemes the world has seen. The renewable energy industry that the Coalition has championed acknowledges that the bill is a step in the right direction but it is poorly crafted. It is evidence of a Minister for the Environment and Climate Change who is in a hurry to try to change his Government's image but who does not really care enough about the outcomes to get it right.

This bill contains all the parts necessary for a government media strategy—it contains the words "gross feed-in tariff" and the amount "\$0.60". Interestingly, the Government accused the Opposition of not having a policy and only having a press release. Concurrently, when the solar industry and my office sought the bill, there was no bill but only a media release. We, on the other hand, had released our policy, we had released modelling, and we had been in consultation with the industry and communities across the State. The industry has been frank that there ought to be changes to the bill, to bring it more in line with Coalition policy. The Coalition's position is that such changes should occur after the statutory review, which is a positive feature of the legislation.

The bill will provide a boost to the uptake of panels, especially those smaller than three kilowatts, with a payback period of as little as 2½ to four years, depending on system sizes and the price of renewable energy certificates. Compared with the net feed-in tariff the Government had adopted until its backflip, this scheme is an improvement. That being said, the concerns of the industry have been voiced loud and clear. First, the scheme is unambitious. It excludes the commercial property sector, larger systems, and many innovative technologies that could slash our State's emissions. Secondly, the scheme is unbalanced. It is a top-heavy, front-loaded feed-in tariff that offers massive benefits for those in the first few years and little for those in the final years. This means it could produce temporary growth, rather than long-term growth, in the solar industry. Some parts of the industry fear that a bust might follow a boom. Thirdly, the scheme lacks the degree of nuance that allows it to drive constant efficiency gains in the solar sector over the medium term that will give New South Wales a competitive advantage in renewable energy.

Due to many years of shifting grants and incentives, some of which open and close after an hour's notice, the renewable sector has been at the mercy of shifting, and at times erratic and contradictory, State and Federal

government policy. The one thing above all that the industry has called for is certainty to invest. There are two principal policy mechanisms driving the change we have to make towards renewable energy. These mechanisms are, first, a renewable energy target, which would ensure that a given percentage of our energy needs came from renewable energy and, secondly, a feed-in tariff, which would allow decentralised generation and innovative technologies to become a part of our energy mix.

Late last year the Coalition publicly stated its support for a feed-in tariff for renewable energy generation, particularly for solar. Earlier this year we released more details, affirming our support for a gross feed-in tariff and outlining the principles upon which we would establish one. This policy was developed after long consultation with the renewable energy sector and on the basis of modelling by Access Economics. Compared with other States, New South Wales was dragging its feet on announcing a feed-in tariff, with incessant delays and blown timelines. The task force charged with looking into a feed-in tariff had its report and decision withheld and delayed. The solar industry was deflated when the Government finally got around to announcing a net feed-in tariff on 23 June 2009. This also pushed back the commencement of the scheme by six months—yet more delay for a sector crying out for certainty.

The Government's position on a feed-in tariff reached a point of high farce when the previous Minister for the Environment and Climate Change quoted a cost of \$220 per consumer for the Coalition's policy as an argument for opposing a gross feed-in tariff, despite the reputable modelling the Coalition had produced putting the cost at a fraction of that. This unprecedented \$220 cost was reached by selectively quoting and reinterpreting a press release. Despite a freedom of information request and questions during the budget estimates process—where the Department of Climate Change and Environment pleaded ignorance as to the source of these statistics—the Opposition has yet to see the flawed arithmetic quoted by Minister Tebbutt. The solar industry was gobsmacked that the Government could get the details so wrong and shocked at the flagrant disregard for the industry.

As I said when this policy was announced, imitation can be the most sincere form of flattery. This policy is a massive vote of confidence in Barry O'Farrell by the Minister for Climate Change and the Environment, and Minister for Energy, who has favoured the Opposition's policy over that preferred by his predecessors Verity Firth and Carmel Tebbutt. The fact that we are debating this bill proves one thing above all else: The Coalition has been correct all this time, despite the protestations and the outrageous claims of the many environment Ministers. The Coalition is delivering the ideas and policies this State needs. This bill is part of a growing list of stolen promises: the south-west rail link, donations reform and now a gross feed-in tariff.

The Government was wrong when it announced a net feed-in tariff. Because it was wrong many thousands of families who were required to install meters compatible with the proposed net feed-in tariff will have to pay from \$90 to \$300 to replace those meters so they can benefit from the gross feed-in tariff scheme. This fiasco is the direct result of the Government's failure and backflips. The bill recognises the problem by providing for a maximum six-month transition period for Country Energy and other energy providers who have been misled into installing meters. No doubt Country Energy will use every single day of that six-month grace and its customers will not be able to access the scheme's benefits until 1 July 2010. Lost income of up to \$700 per customer plus up to \$300 for the cost of the new meter totals a potential \$1,000 loss directly due to the incompetence of this Government. How unnecessary and how frustrating for those customers.

The task force report released on 23 June 2009 did not model actual uptake for each of the 10 scenarios. Instead, it modelled the costs of the various scenarios on the basis of two uptake levels: high and low. In our briefing we were assured that more modelling was undertaken but, understandably, we are concerned that this modelling has not been made public or scrutinised. Our advice from the Minister's office is that the impact on household energy bills will be \$12.70 in the seventh year of the scheme. The Government should release more modelling immediately, if it exists. As the Minister's selective quoting of press releases in this place on the day of the announcement shows, the devil is in the detail of the scheme. This is epitomised by his selective quoting of the Property Council press release and for good reason. The press release is titled "Gross Feed-in Tariff—One Step Forward, Two More to Go". Those two further steps are the inclusion of the commercial property sector investing in larger systems and the exclusion of other technologies, which are both part of the Coalition's policy. The press release stated:

The decision to limit the scheme's scope risks undermining the sensible objective of giving New South Wales a substantial competitive advantage in renewable energy.

The commercial property sector has been an important part of the Liberals-Nationals gross feed-in tariff scheme and will be part of its policy at the next election. To genuinely achieve transformational change to renewable energy, why exclude the larger, more efficient investments from the commercial sector? There is no rational answer to that question. It would be hypocritical of us to support amendments that have not been modelled. We have centred our policy on a gross feed-in tariff that provides certainty for investment and is properly tailored for technology and type. The Greens proposed amendments are, in a sense, populist, but there is no modelling or explanation for how they will be paid.

Paying everyone for everything is a politically romantic story, but it is not logical; nor is it a fair proposition in economic reality. Therefore, we cannot support the amendments. In my experience, a lack of legislative

modelling is rarely improved by a lack of modelling of amendments. I put a caveat on that with one important statement: any changes the Coalition undertakes will not make existing scheme participants worse off. Certainty is the key. Certainty means that no changes should be retrospective. That is why we will stick to a policy process that is evidence based and thoroughly researched. The two Greens amendments seeking to expand the scheme have two effects. First, they will allow participants who join in the seventh year of the scheme to get seven years of tariff—this is called fixed participation. Secondly, they will extend the scheme further past its original ending date until a rate varied by regulation.

The Coalition prefers fixed participation in conjunction with an appropriate tariff. We believe this would ensure that the renewable sector grows strong and is more competitive. The reason we cannot support these two amendments is simple: they have not been modelled. However, even without modelling, a person entering a scheme in 2017 getting seven years at 60¢ would be receiving an excessive subsidy. We sympathise with the Greens and their concerns because, unlike the Government, they have been more interested in the long-term future of the renewable energy industry, not just the politics of this policy. We believe the scheme can be improved and ought to be after the statutory review. We will take such improvements to the people at the next election.

The Minister often accuses the Coalition of being insincere on the environment. This is hypocritical when he introduces a bill that is a flagrant copy of the Coalition's policy and for which he has not done his homework to get the details right. We welcome this bill because at last the solar industry gets what we have been fighting for for such a long time—a gross feed-in tariff, albeit one with significant flaws. Finally there will be a degree of certainty with decent incentive. I foreshadow that during the Committee stage the Opposition will move one procedural amendment that relates not to the substance of the scheme but to its transparency and reporting. Our relief to see this bill finally before the House is tempered by the knowledge that it is imperfect and, like so many other things in this State, it will be up to the Coalition to fix.