

# **EXPLANATORY STATEMENT**

## **Select Legislative Instrument 2011 No. 88**

Issued by the Authority of the Minister for Climate Change and Energy Efficiency

*Renewable Energy (Electricity) Act 2000*

*Renewable Energy (Electricity) Amendment Regulations 2011 (No. 2)*

Section 161 of the *Renewable Energy (Electricity) Act 2000* (the Act) provides, in part, that the Governor-General may make Regulations prescribing matters required or permitted by the Act, or necessary or convenient to be prescribed for carrying out or giving effect to the Act.

The Act, as amended by the *Renewable Energy (Electricity) Amendment Act 2010* (the Amendment Act) establishes the Renewable Energy Target (RET) scheme to encourage electricity generation from eligible energy sources. The RET is designed to ensure that the equivalent of 20 per cent of Australia's electricity supply is generated from renewable sources by 2020. From 1 January 2011, the RET has operated as two parts - the Large-scale Renewable Energy Target (LRET) and the Small-scale Renewable Energy Scheme (SRES).

Under the Act, wholesale electricity purchasers ('liable entities') are required to contribute to the RET in proportion to their share of the national wholesale electricity market. The Act provides for the creation of renewable energy certificates by renewable energy generators, small generation units (SGUs) and solar water heaters. One certificate generally represents one megawatt-hour (MWh) of electricity from eligible energy sources.

The *Renewable Energy (Electricity) Regulations 2001* (the Principal Regulations) provide an administrative framework to implement the Act in relation to power station accreditation, eligibility requirements for renewable energy sources, eligibility requirements for solar water heaters and SGUs, and calculation methods for determining the number of certificates.

The Regulations amend the Principal Regulations to adjust the Solar Credit multiplier, that is the number by which the number of certificates that may be created for eligible installations of SGUs may be multiplied under certain circumstances. The reduction responds to continued strong growth in the solar industry, the impact of this growth on electricity prices, and the impact of the Solar Credits support on demand for other clean energy technologies such as solar hot water heaters.

Background on the policy intent of the Regulations is included in [Attachment A](#). Details of the Regulations are included in [Attachment B](#).

### **Consultation**

The Regulations implement the adjustments to the Solar Credits mechanism announced by the Commonwealth Government on 5 May 2011, which was undertaken in response to the high rate of certificate creation under the SRES and informed by consequent concerns raised by a range of industry stakeholders.

Authority: Section 161 of the  
*Renewable Energy (Electricity)*  
*Act 2000*

**General policy guidance on the *Renewable Energy (Electricity) Amendment Regulations 2011 (No. 2)***

On 5 May 2011, the Commonwealth Government announced adjustments to the Solar Credits mechanism in light of continued strong growth in the industry, the impact of this growth on electricity prices, and the impact of the Solar Credits support on demand for other clean energy technologies such as solar hot water heaters.

The Solar Credits mechanism provides support for those installing small generation units such as small-scale solar panels, wind and hydro electricity systems by multiplying the number of small-scale technology certificates (STCs) that these systems would usually be able to create under the Small-Scale Renewable Energy Scheme (SRES) component of the Renewable Energy Target (RET) scheme. The level of support in terms of the number of STCs received via Solar Credits mechanism is determined by the date the system is installed

Solar Credits applies to the first 1.5 kilowatts (kW) of system capacity installed for systems connected to main electricity grids and up to 20 kW of capacity for off-grid systems. As a result of the proposed adjustments, the additional Solar Credits support under the SRES will be reduced to a multiple of 3 rather than 4 on 1 July 2011. The multipliers in following years will also be reduced by one, thereby bringing forward the phase out of the Solar Credits mechanism by one year to end on 30 June 2013.

As part of the 5 May 2011 announcement, the Government also indicated that where legally binding contracts were made prior to 5 May 2011 to install small generation units in the period 1 July 2011 to 30 June 2012 or earlier, it would put in place transitional arrangements in the regulations to ensure the level of support provided through the Solar Credits multiplier under the SRES is maintained according to the current regulations. It is intended that the transitional arrangements will be developed and included in the regulations shortly.

After 1 July 2013, small-scale generation units and solar hot water heaters will continue to be supported by the SRES component of the RET scheme which is legislated to operate in parallel to the Large-Scale Renewable Energy Target component until the end of 2030.

**Details of the *Renewable Energy (Electricity) Amendment Regulations 2011 (No. 2)***

**Regulation 1 – Name of Regulations**

This regulation provides that the title of the Regulations is the *Renewable Energy (Electricity) Amendment Regulations 2011 (No. 2)*.

**Regulation 2 – Commencement**

This regulation provides for the Regulations to commence on 1 July 2011.

**Regulation 3 – Amendment of Renewable Energy (Electricity) Regulations 2001**

This regulation provides for Schedule 1 to the Regulations to amend the *Renewable Energy (Electricity) Regulations 2001*.

**Schedule 1 – Amendments**

**Item 1 – Subparagraphs 20 (2C) (a) (iii) and (2E) (a) (iii)**

Item 1 amends the end date under which the Solar Credits multiplier applies specifically for installed ‘off-grid’ small generation units. This change aligns the end date with the phase-out of the Solar Credits multiplier on 30 June 2013.

**Item 2 – Subregulation 20 (2G), table, items 4 and 5**

Item 2 amends the table in subregulation 20 (2G) which specifies the maximum number of Solar Credits multiplier certificates that may be created for off-grid small generation units in a period (i.e. financial year). The removal of line items 4 and 5, which refer to the 2013-2014 and 2014-2015 financial years respectively, aligns with the phase-out of the Solar Credits multiplier on 30 June 2013.

**Items 3-5 - Subregulation 20AA (2), table**

Items 3, 4 and 5 collectively amend the table in subregulation 20AA (2) which outlines the schedule of Solar Credits multiplier numbers used to calculate the additional support under the RET for SGU installations.

The effect of amending the table provides a new schedule that specifies a new, lower, multiplier numbers in the financial years 2011-12 and 2012-13. The standard rate of certificate creation (that is, a multiplier of one) now applies for SGUs installed from 1 July 2013, rather than from 1 July 2014.