

EXPLANATORY STATEMENT

Select Legislative Instrument 2008 No. 263

Issued by authority of the Minister for Climate Change and Water

Renewable Energy (Electricity) Act 2000

Renewable Energy (Electricity) Amendment Regulations 2008 (No. 1)

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

The Act provides the legislative framework for the implementation of the Government's mandatory renewable energy target, announced in 1997. The mandatory renewable energy target is designed to increase the amount of electricity in Australia that has been generated from renewable energy sources. By 2010, an additional 9,500 gigawatt hours (GWh) of electricity will be required to be supplied from renewable energy sources.

Under the Act, wholesale purchasers of electricity (the 'liable parties') are required to meet a share of the renewable energy target in proportion to their share of the national wholesale electricity market. The Act provides for the creation of renewable energy certificates by generators of renewable energy. One renewable energy certificate represents the equivalent of one megawatt hour of electricity generated from eligible renewable energy sources. The renewable energy certificates, once registered, are traded and sold to the liable parties, who, in turn, surrender the renewable energy certificates to the Renewable Energy Regulator, or pay a penalty. The number of renewable energy certificates to be surrendered by a liable party is determined by multiplying the amount of electricity purchased by the liable party by that year's Renewable Power Percentage (RPP), as prescribed in the *Renewable Energy (Electricity) Regulations 2001* (the Principal Regulations).

The purpose of the Regulations is to amend the Principal Regulations to specify the RPP for 2009. The RPP for 2009 will be 3.64 percent, increasing from 3.14 percent in 2008 and 2.70 percent in 2007. The RPP:

- establishes the rate of liability and is the mechanism that liable entities use to determine the number of renewable energy certificates (RECs) needed to discharge their liability each year. Individual REC liabilities are determined by multiplying the total liable or relevant acquisition in MWh for a year by the RPP;
- is set to achieve the interim targets specified in the Act which will achieve the overall target of 9,500 GWh of renewable energy required by 2010; and
- is determined by analysing the amount of total liable purchases, assumed growth in electricity, under and over compliance, and the estimated liability for the future year.

Subsection 39(1) of the Act provides that the RPP for a given year must be specified in the regulations on or prior to 31 March in that year. However, subsection 39(3) provides that, before the Governor-General makes a regulation under subsection 39(1), the Minister must take into consideration the required amount of renewable electricity for the year, the estimated amount of electricity to be acquired for the year, and the amount by which the

required GWh of renewable source electricity for previous years has exceeded, or has been exceeded by, the amount of renewable electricity required under the scheme in those years.

The Regulations allows the 2009 RPP of 3.64 percent to be set under Regulation 23. Regulation 23 to the Principal Regulations is amended every twelve months and the amendments are machinery in nature and do not substantially alter the existing operation of the Principal Regulations. Consequently a public consultation period was not conducted for the Amendment Regulations.

The Regulations are a legislative instrument for the purposes of the *Legislative Instruments Act 2003*.

The Regulations commenced on the day after they were registered on the Federal Register of Legislative Instruments.