

CHIEF MINISTER'S DEPARTMENT
Chief Executive



Our ref: 9899/09
Your ref: 09/15658

Mr Paul Baxter
Senior Commissioner
Independent Competition and Regulatory Commission
GPO Box 296
CANBERRA CITY ACT 2601

Dear Mr Baxter

Paul.

Thank you for your letter of 24 November 2009, seeking input on the Issues Paper on the Electricity Feed-in Premium Rate Determination. Chief Minister's Department would like to offer the following comments.

In developing the model, the ICRC should consider the social, environmental and economic impacts of the premium rate. In particular, the Commission should consider how the model would impact low income and vulnerable residents, and how such impacts might be addressed. The Commission should also consider the impact of the premium price on the ACT economy, particularly if the premium rate is different to that in NSW.

A key principle for setting the premium rate should be that it provides a suitable incentive to provide a public good, namely reduced carbon emissions, without significant private financial gain at public cost. Accordingly, the model should be based on the net cost of investment, taking into account any rebates and associated benefits for participants, such as Renewable Energy Certificates, as well as the changing cost of purchasing, installing and maintaining generation equipment.

To ensure transparency and comparability about the rate of return for participants and to provide an appropriate incentive to invest, the ICRC could also consider an appropriate rate of return, as well as the payback period, in proposing a feed-in tariff rate. The Commission could examine whether this information would be useful to potential investors in making an investment decision, and what rate of return would provide a suitable incentive for investment.

Yours sincerely

Andrew Cappie-Wood
Chief Executive

AK.
January 2010