

Independent Competition and Regulatory Commission,
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Draft Report- Electricity Feed-in Renewable Energy Premium:
Determination of Premium Rate
Report1 of 2010

I offer the following comments on the draft report.

I commend the Commission on the thoroughness and analysis within the report, recognising the constraints imposed by the terms of reference and the fact that the scheme exists. It is most important that the public at large have a full appreciation of the actual costs of this scheme and its stated purpose, which is to reduce greenhouse emissions and how these may rank against other technologies in terms of effectiveness. It is useful also, in bringing together the bewildering array of subsidies which are, at present, available to those wishing to invest in this scheme.

It is clear that the primary driver of uptake is related to it being seen as an above average safe investment guaranteed for a significant period. It is being promoted as such and at current feed-in rates. Ads appearing in the Canberra Times (17/12/09) spoke of returns as high as 27% on large generators to business using existing stimulus allowances which were time limited. In the SMH, appearing regularly at the same time, were ads talking of potential returns of 50% pa paying off a 1.5 kW PV system installed for \$2999, admittedly as a special price, under the announced NSW feed in system. If, as stated in the report, that income earned is not assessable as income in the hands of small generators, then the return is handsome indeed, in fact, unbelievable and unsustainable in the event of widespread take up. The question of tax exemption is a complete surprise to a tax agent and commentary on this was given in the Sunday Canberra Times based on a private ruling given to one person, that the scheme as described, was not likely to produce a net income. The Commission has demonstrated that is not so, nor is it the intention of the ACT Government which, as recently as today, stated that the scheme, "rewards Canberrans that go solar."

As the draft report makes an unqualified statement it seems essential that the source of that statement be attributed. If it is confirmed, then I can envisage tax agents, financial planners, accountants and high income earners, shoaling at the inflow point to share in the feast.

The report makes clear that the contribution made by the scheme to abating CO2 emissions is possibly the most ineffective in economic terms devised by man to date. The comparison with the green tariff is most telling, as this option is actually drawing on non-coal generation which now exists in scale. There has been a marked change in political and community attitudes since the report was released, to the fact that bromide and placebo measures were undermining large scale more economic green power developments. Also, if costs of power get rapidly out of hand, it seems apparent that public support for some measures will weaken. I noted that immediately after the Senate Committee hearings last week, Senator Milne made a statement that, to my ears, seemed to be sentiments to this effect and she proposed to introduce legislation to stop excessive incentives to backyard schemes impeding the thrust of major projects. Also on Friday, Senator Wong took steps to reform the REC scheme. The de facto collapse of the home installation scheme spells the practical end in my view of many of the raft of schemes mentioned in the report. On top of that,

prudent economic management dictates that in future budgets make-work measures without long term viability without subsidy will not be viewed very positively.

On the ACT front, the previous bipartisan support for the ACT feed-in arrangements has disappeared, with the alternative government withdrawing support because of its uneconomic nature, and I interpreted comments made on radio by Mr Rattenbury, that the principal purpose of the feed in tariff was employment creation. Mr Corbell has made public comments that have signaled pretty clearly that the recommendations on the level of the feed in tariff are not likely to find favour with him when he performs his ex-cathedra responsibilities under the legislation. Reasons given that I have heard were, he did not think that the level of reward would maintain the momentum of the scheme and another of no logical meaning that they did it in Germany.

It appears to me that the scheme in its present form has no clear lines of responsibility in the same manner as the insulation bat program belonged to no one. No ACT government money is involved and its contribution is to authorise private power companies to transfer funds from power consumers to a special interest group, while these same consumers will also bear the burden of costs which will be imposed in national CO2 abatement schemes. Quality assurance, correct sighting and promotion are in the hands of retailers of systems and ACTEWAGL guarantees the standard of the connection to the grid but not the units themselves.

My submission is made as a power consumer and to reinforce to the commission my confidence in that role to its recommendations.

Kevin Wilkinson