

A few  
words.

Dr John Logan  
The Independent Competition and Regulatory Commission  
GPO Box 296  
Canberra ACT 2601

By email: [icrc@act.gov.au](mailto:icrc@act.gov.au)

23<sup>rd</sup> December 2009

Dear Dr Logan,

AGL welcomes the opportunity to submit to the Independent Competition and Regulatory Commission (ICRC) comments on the *Electricity Feed-in Renewable Energy Premium* Issues Paper (Report 9 of 2009, November 2009). AGL considers that feed-in tariff's (FIT) are an appropriate incentive for small scale renewable energy deployment.

AGL Energy (AGL) is Australia's leading energy company and Australia's largest privately owned renewable energy generator. AGL is well placed to comment on incentives for clean energy deployment. AGL operates across the supply chain and has investments in energy retailing, coal-fired electricity generation, gas-fired electricity generation, renewable energy generation and upstream gas extraction. The diversity of this portfolio has allowed AGL to develop a detailed understanding of the risks and opportunities presented by climate change and renewable energy policy. AGL is a unique participant in the Australian renewable energy market industry, with interaction spanning three aspects:

1. Liabe entity under the Expanded 20% Renewable Energy Target (RET) – each year AGL must acquit sufficient numbers of Renewable Energy Certificates (RECs) to meet its obligation under the RET, as determined by the quantity of liable load in MWh sold, and the Renewable Power Percentage (RPP) for that year. Going forward the cost of this obligation will be capped at a tax-effective amount of \$92/MWh.
2. Small scale renewable energy technology installer – through AGL Assist and branded retailers, AGL installs a range of small scale renewable energy generation, including solar PV, and onsite renewable technologies such as solar hot water systems.
3. Large scale renewable energy developer – AGL has the largest privately owned/or operated renewable energy portfolio in Australia, approximately 920MW of installed capacity. A further 420MW is under construction, and some 2,000MW is under consideration. These interests span a range of technologies including wind, hydro, solar and geothermal.

AGL considers that renewable energy technologies, on all scales, have an important role to perform in reducing emissions from Australia's stationary energy sector. In response to numerous new rebates and incentives announced this year, Australia's small scale renewable energy technology industry has grown rapidly. AGL submits that in line with the COAG-led review of the RET, a suite of solutions should be adopted to balance the deployment of renewable energy technologies in Australia. Attachment A provides further details on a drafted suite of solutions for clean energy. Supported by many participants in the clean energy industry, this roadmap aims for the sustainable adoption of energy efficiency, and deployment of small scale and large scale renewable energy.

With respect to the ICRC deliberations on the ACT FIT, AGL offers comments on approaches to harmonise this incentive with other jurisdictions, and views on managing the sustainable deployment of small scale renewable energy.



## Current FiT Arrangements

As the Issues Paper observes, there are a range of FiTs in place in different jurisdictions which provide varying levels of support for small scale renewable energy generation. In November 2008, the Council of Australian Government's (COAG) agreed to a set of national principles to apply to new feed-in tariff schemes and to inform the reviews of existing schemes. These principles aim to promote national consistency of schemes across the states.

Following the ACT's lead, in November 2009 the NSW Government announced the move to a gross FiT, providing a premium to be payable for all renewable energy generated by an eligible system from 1 January 2010. AGL supports the adoption of a FiT in all jurisdictions, as the preferred approach to attracting investment in small scale renewable energy generation. AGL considers that the ACT should continue to provide a FiT that is consistent in structure to NSW and take a leadership role in the development of a national FiT in Australia.

## Feed-in Tariffs and the RET Scheme

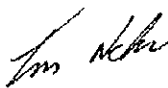
AGL, as an installer of small scale renewable energy generation believes there should be a suitable economic incentive for customers to invest in small scale renewable energy generation. Recent sales of small scale renewable systems suggest that the cost of solar PV has come down due to declining silicon prices.<sup>1</sup> However, as deployment increases solar PV costs may further reduce in the coming period.

AGL considers that there are now a sufficient range of incentives and drivers, including a FiT, to encourage consumers to adopt small scale renewable energy generation. AGL believes that the ACT Gross FiT should be the sole policy incentive for small scale renewable energy generation and eligibility of such technologies should be transitioned out of the RET Scheme.

## Conclusion

AGL is a strong supporter of the deployment of renewable and low emission technologies, and is pleased by the importance that the ICRC has placed on the efficient operation of the ACT FiT. AGL considers that the current model for a FiT in ACT should remain consistent with other leading jurisdictions, and that a further suite of solutions exist for the clean energy in Australia, as provided in Attachment A. Should you have any questions or comments, please contact Simon Kelley, Manager Carbon Policy and Regulation on (03) 8633 7152 or at skelley@agl.com.au or myself on (02) 9921 2516 or at tanelson@agl.com.au.

Yours sincerely,



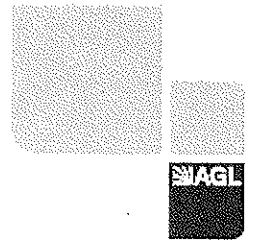
**Tim Nelson**  
Head of Carbon and Sustainability

CC:

The Hon Martin Ferguson AM, MP, Cth Minister for Resources, Energy and Tourism  
Mr Simon Corbell MLA, Minister for Energy, ACT

<sup>1</sup> Based on Bloomberg Article, accessed 18 November 2009  
<http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aLIWKnDwZuqM>

- > Being selected as a member of the Dow Jones Sustainability Index 2006/07
- > Gaining accreditation under the National GreenPower Accreditation Program for AGL Green Energy®, AGL Green Living® and AGL Green Spirit
- > Being selected as a constituent of the FTSE4Good Index Series



The Hon Stephen Robertson MP, Minister for Natural Resources, Mines and Energy,  
Queensland

The Hon John Robertson MLC, Minister for Energy, New South Wales

The Hon Peter Batchelor MP, Minister for Energy and Resources, Victoria

The Hon Peter Collier MLC BA DipEd, Minister for Energy, Western Australia

The Hon Patrick Conlon MP, Minister for Energy, South Australia

The Hon Delia Lawrie MLA, Treasurer, Northern Territory

The Hon David Llewellyn MP, Minister for Energy and Resources, Tasmania

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## ATTACHMENT A

### ENERGY INDUSTRY POLICY ROADMAP

#### PREAMBLE

The Australian energy industry believes existing policies measures with appropriate amendments can deliver a boom in investment and employment and contribute towards a significant reduction in greenhouse gas emissions over the coming decade.

Our plan is based upon four simple policy principles:

#### **1. Zero and low emission hot water technologies**

The Commonwealth has announced that from 2010, only gas (LPG or reticulated natural gas) or solar gas boosted hot water (SHW) will be able to be installed where gas is available. This policy will ensure that low emission SHW and gas hot water will displace electric hot water systems over the coming decade as existing hot water systems are replaced at the end of their economic lives<sup>1</sup>.

Minor policy amendments required:

- Removal of eligibility of all forms of hot water under the Renewable Energy Target with support being provided through energy efficiency schemes

#### **2. ENERGY EFFICIENCY**

There are energy efficiency schemes now operating in South Australia, Victoria and NSW. These schemes provide an additional source of revenue for companies that provide energy efficiency services.

Minor policy amendments required:

- Amalgamation of state-based energy efficiency schemes into a single national energy efficiency obligation on energy retailers
- Inclusion of all forms of low emission hot water (gas, LPG and SHW) as eligible sources of energy efficiency

#### **3. SMALL SCALE RENEWABLE ELECTRICITY GENERATION**

There are various feed-in tariffs in place in different states which provide varying levels of support for household scale renewable photovoltaic solar generation (solar PV). The NSW and ACT Governments have the most generous schemes through a 'gross' feed-in tariff which provides installers of solar PV with additional revenue for all energy generated.

Minor policy amendments required:

- All states to implement a gross feed-in tariff for residential solar PV; or
- Inclusion of residential solar PV as an eligible form of energy efficiency; and
- Removal of eligibility of small scale generation under the Renewable Energy Target

#### **4. LARGE SCALE RENEWABLE ELECTRICITY GENERATION**

The expanded RET will underpin the delivery of the Government's renewable energy commitments by driving investment in large-scale renewable generation.

Minor policy amendments required:

- None

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<sup>1</sup> Outside reticulated natural gas areas a policy to preference LPG boosted solar will assist in delivering the ability to extend the natural gas network.

