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THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

SENATE

Renewable Energy (Electricity) Amendment (Feed-in-Tariff) Bill 2008

EXPLANATORY MEMORANDUM

(Circulated by authority of Senator Milne)

Renewable Energy (Electricity) Amendment (Feed-in-Tariff) Bill 2008 – Explanatory Memorandum

Background:

The purpose of the Renewable Energy (Electricity) Amendment (Feed-in-Tariff) Bill 2008 is to amend the Renewable Energy (Electricity) Act 2000 to establish a national feed-in tariff (FiT) scheme. The objective of the scheme is to provide greater financial support for the commercialisation of a broad range of prospective renewable energy technologies, particularly those that are generally unsupported by the mandatory renewable energy target scheme.

In summary the scheme is intended to operate as follows:

Feed-in-Tariff Rates

- i. It is the responsibility of the Minister for Climate Change to set a feed-in-tariff (FiT) rate for any of the sources of renewable energy technology listed in section 17 of the Act, each year.
- ii. The Minister's objective is to support the economic viability of electricity generation from a range of prospective renewable energy technologies. To achieve this, the Minister may vary FiT rates according to the type and location of qualifying generators.
- iii. The owner of a 'qualifying generator' will receive a constant FiT for 20 years, set at the time that they register with the scheme, on all of the electricity that they produce (not just the component which is exported to the grid). Only generators installed after the commencement of the scheme and which forgo participation in the mandatory renewable energy scheme can be a 'qualifying generator'.
- iv. The Minister must review the FiT rate applying to each renewable energy generator type each year – with adjusted rates applying to new installations. In order to provide a degree of certainty to manufactures and suppliers of renewable energy products, the Minister may increase the FiT rate, but can only decrease the rate it after a period of 5 years from the date that the rate was initially set, and then by a maximum of 10% per year. An exception to this rule could occur if the Minister elects to set a target level of installed renewable energy capacity (for any particular technology), and that target is achieved, beyond which point the Minister may reduce the tariff if such a course of action is deemed desirable.

Feed-In-Tariff Levy

- v. The Minister must set a FiT levy rate per MWh of electric energy acquisition from the electricity grid, to fund the FiT rate scheme. The FiT levy is to be imposed by a proposed *Renewable Energy (Electricity) Feed-in-Tariff Levy Act 2008*. The FiT levy rate must be sufficient to cover the estimated cost of payments under the feed-in-tariff rate scheme.

- vi. The FiT levy is payable by all electricity retailers and direct customers of electric energy from the grid, calculated by reference to their annual energy acquisition statements lodged under section 44. Note that the annual energy acquisition statement is also used to calculate the renewable energy shortfall charge of an electricity retailer or a direct customer.

Feed-In-Tariff Payments

- vii. An annual return by the owner of a qualifying generator must be lodged with the Regulator within 30 days of each anniversary of the registration of the qualifying generator. The Regulator must pay the feed-in-tariff rate to the owner of a qualifying generator within 30 days of receiving from the owner an annual return in the prescribed form indicating the metered energy produced by the qualifying generator.

Feed-In-Tariff Register

- viii. The Regulator must establish a Register which records:
 - a. details of all qualifying generators, including the name and address of the owner of the generator, the date of registration of the generator and the type of generator (that is, the eligible renewable energy source used by the generator); and
 - b. the total amount of electricity produced by each qualifying generator; and
 - c. the feed-in-tariff rate to be paid to the owner of a registered qualifying generator and the period for which the feed-in-tariff rate will be paid.

Reporting

- ix. The Minister must ensure that an independent report on the operation of the FiT scheme is prepared and tabled each year. The report must include details of total renewable energy produced and total payments made under the feed-in-tariff rate scheme, and the total receipts from the feed-in tariff levy.
- x. The Minister must provide statements explaining how the feed-in-tariff rates and levy rates are calculated and must table those statements in both Houses of Parliament each year.