

Chief Executive
GPO Box 4396
Darwin NT 0801

Tel 08 8999 6172
Fax 08 8941 1491
mike.burgess@nt.gov.au

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Ms Anthea Harris
Chief Executive Officer
Climate Change Authority
GPO Box 1944
Melbourne VIC 3001

Via email: submissions@climatechangeauthority.gov.au

Dear Ms Harris

RENEWABLE ENERGY TARGET REVIEW - NORTHERN TERRITORY GOVERNMENT INTERIM COMMENTS

Thank you for the opportunity to provide comments on the Climate Change Authority's review of the Commonwealth Government Renewable Energy Target Scheme (the RET).

The Northern Territory has now considered the *Renewable Energy Target Review Issues Paper* and this letter outlines the Northern Territory Government's key comments with more details in Appendix A.

The Northern Territory's position is that the RET should be abolished. The Commonwealth's Clean Energy Future plan, including the carbon price, effectively achieves outcomes sought by the RET. The combination of a RET and a carbon process results in an unsustainable and unfair impost on Northern Territory business and the community.

However, if the RET is to be retained, the Northern Territory's view is that a significant level of redesigning is necessary.

Key comments from the Northern Territory are:

- The Northern Territory has been significantly disadvantaged by the RET. The RET causes a leakage of significant and valuable capital out of the Northern Territory, resulting in missed opportunities to leverage research, investment and build skills.

- If the RET is retained, consideration needs to be given to how the RET can be redesigned to stimulate more extensive and valuable Australian technology and industry development in regional and remote areas so that all regions of Australia are able to equally share in the direct economic spin-offs from this national initiative. Policy adjustments may be necessary to achieve this.
- The RET imposes upward pressure on household electricity expenditure due to the lack of low-cost renewable energy options in the Northern Territory and a solution is required.
- The original rationale for the self-generator exemption remains germane. The self-generator exemption remains critical to Northern Territory off-grid remote resource projects and the exemption should be retained with increased flexibility around current eligibility criteria.
- RET liability threshold should be determined net of renewable energy generation. This would create an additional investment incentive for smaller operators in regional and remote areas with already high overhead costs to encourage exploration of generation capacity from renewable energy sources.
- Displacement technologies, not just generation technologies, are appropriately part of the RET and any new displacement technologies should be included in the RET where such technologies result in a reduction in demand for electricity, and therefore progress achievement of the renewable energy target.

My contact for any queries on this submission is Ms Anne Tan, Executive Director, Intergovernmental Relations (08) 8999 6390 or by email anne.tan@nt.gov.au.

Yours sincerely



MIKE BURGESS

24 October 2012

Northern Territory Government Submission to the Renewable Energy Target Review Issues Paper

Renewable Energy Target (RET) Scheme Impacts

The NT Government experience with the RET has not been positive.

Our view is that the RET should be abolished on the basis that the carbon price effectively achieves the outcomes sought by the RET. The RET imposes an inequitable and financially disastrous impact on the Northern Territory. A combination of the RET and a carbon price results in an unsustainable impost on business and the community.

The NT Government has previously advised the Australian Government that while the Northern Territory is well above the Australian average in use of solar water heating with installation in over 60 per cent of homes, it is significantly underperforming in renewable electricity generation, with less than 1 per cent of Northern Territory electricity generated from renewable sources.

Despite Northern Territory Government initiatives to promote greater use of renewable energy and various studies into geothermal and solar thermal power stations, there remains a large renewable energy investment gap.

The NT Government's experience is proving what the Australian Government's own modelling predicted, that the RET will not stimulate any new large-scale renewable energy investment in the Northern Territory over the short, medium or even long term.

This is because renewable energy sources in the NT coincide with more expensive renewable energy technologies and there is a clear absence of low-cost renewable energy options. As a national, market-based measure, the RET promotes renewable energy deployment at the lowest overall cost therefore disadvantaging geographic areas which have limited opportunities for low cost renewable energy generation.

The effect of this is that Northern Territory-based liable parties have no alternative but to acquit their liability by purchasing Small-Scale Technology Certificates and Large-Scale Generation Certificates interstate. The Northern Territory's vertically integrated utility, the Power and Water Corporation, currently sources around 85 per cent of its RET liability from generators in south eastern Australia. There is currently an estimated \$11 million allocated for the purchase of Renewable Energy Certificates from generators in other states. This is expected to increase to some \$38 million in 2020.

The resultant leakage of capital from the Northern Territory effectively removes opportunities to leverage research and investment and build skills. This means that the Northern Territory increasingly falls behind in its ability to participate in national initiatives designed to create investment in renewable energy projects.

The Northern Territory wears its proportion of the costs but is not able to participate in the investment, technological and work force benefits which flow from increased renewable energy deployment.

If the RET is to be retained, a significant level of redesigning would be required. There is a strong case for RET scheme adjustments at jurisdictional and regional levels.

An analysis of the financial, social and environmental impacts of the technology and industry development and related market outcomes is warranted. The analysis needs to include detailed assessment of regional and distributional impacts.

Consideration needs to be given to how the RET can be redesigned to stimulate more extensive and valuable Australian technology and industry development in regional and remote areas. There is a need for all regions of Australia to be able to equally share in the direct economic spin-offs of this national initiative. Policy adjustments need to be made for areas where the full range of renewable energy technologies is not available due to natural resources constraints, population size and dispersion, and energy market characteristics, including scale, demand and distribution distances.

RET Household and Business Impacts

The Carbon Pricing Mechanism has been at the centre of intense public interest, particularly in relation to its financial impact on households. The associated cost increases for the Northern Territory are on average, matched by the Household Assistance Package.

Similar assistance is not offered under the RET. The RET inevitably results in upward pressure on electricity costs because the Northern Territory is unable to increase generation from low-cost renewable energy options.

Solar photovoltaic systems are the primarily technology capable of generating large-scale generation certificates in the Northern Territory. These systems are intermittent in nature. The deployment of this technology by the Power and Water Corporation increases rather than reduces network costs as network systems need to be equipped to manage intermittent generation.

The NT Government suggests that consideration is given to Commonwealth Government support to address this matter, particularly in Alice Springs, where intermittency caused by the deployment of solar technologies is the highest of all the Australian Solar Cities.

Small-scale Renewable Energy Scheme

The administration of requirements under the small-scale renewable energy scheme (SRES) component of the RET is onerous and costly. The NT Government view is that the SRES should be abolished.

Self-generator exemption

The NT Government participated in the *Review of Specific RET Issues* conducted by the Council of Australian Governments Select Council on Climate Change and advocated expansion of the 1 km rule for exempted consumption to include the whole area where the generating plant, distribution infrastructure and consumption points are located. The Northern Territory advocated use of the self-generator exemption where transmission infrastructure is shared.

The NT Government view is that the self-generator exemption is critical to the commercial sustainability and viability of remote area resource projects where mines have little choice but to generate their own electricity, generally at higher cost.

The design of the self-generator exemption needs to be sufficiently flexible so as not to unduly penalise self-generation arrangements which, aside from the rigid application of the 1 km rule, would be exempt. The NT Government's previously expressed views remain relevant.

Consistent with comments received from stakeholders during the Renewable Energy Sub-Group of the Select Council on Climate Change's COAG review, the self-generator exemption needs to recognise that the 1km radius requirement for potential exemption does not recognise the potential size of remote area mining projects. The exemption needs to be extended to the boundaries of the area where the generation plant and facilities are either co-located or contiguously located. This needs to be instituted irrespective of whether distribution networks are dedicated or shared.

Ownership rules require the generator and user of the electricity to be the same legal entity. Flexibility is required to recognise the complexity of business structures and broader corporate arrangements. Group ownership arrangements for separate legal entities are driven by business and commercial considerations. A strict requirement for the same legal entity fails to recognise this reality. The NT Government's view is that the exemption would not be compromised by a less rigid requirement recognising company groups where the concept of a group is similar to that adopted in the *Greenhouse and Energy Reporting Act*.

Threshold for RET Liability

RET liability applies to entities that purchase electricity from grids that have capacity greater than 100 MW. The NT Government's view is that this threshold should be determined net of renewable energy generation, that is, renewable energy contribution to grid capacity should be excluded from the threshold.

This change would create an additional investment incentive for smaller operators in regional and remote areas with already high overhead costs. It would encourage exploration of generation capacity from renewable energy sources.

Displacement Technologies

All areas of the Northern Territory are either tropical or desert regions where high temperatures are commonplace. A large component of electricity consumption stems from air conditioning systems. Heat pump systems displace electricity consumption in the same way as solar hot water systems. Solar assisted cooling avoids the call on electricity-intensive air conditioning systems.

The NT Government view is that displacement technologies, not just generation technologies, are appropriately part of the RET. Any new displacement technologies should be included in the RET where the technologies result in a reduction in demand for electricity, e.g. solar assisted cooling systems, and therefore supports achievement of the renewable energy target.