

**REC Agents Association
Response to Judith Sloan's Article of 25 February 2014**

The REC Agents Association (**RAA**) is an industry body representing the creators and traders of renewable energy certificates across Australia. The RAA wishes to respond to Judith Sloan's article in *The Australian* on Tuesday 25 February 2014 titled "Junking Energy Target is Right" to correct some of the statements made in that article as noted in bullet point form below:

- The December 2013 Report on Electricity Price Trends by the Australian Electricity Market Commission clearly shows the different components to the retail costs of electricity with network costs (the cost for transmission and distribution) being by far the largest components of domestic electricity bills¹.
- The cost of the Renewable Energy Target (RET) is nowhere near the \$60 - \$300 a tonne. Certificates for a megawatt hour (MWh) for the small scheme are capped at \$40 and have traditionally been bought and sold on the secondary market for a substantial discount to this capped price. Certificates for a MWh of large scale renewable energy are also capped but at \$65.
- The impact of renewable energy on the wholesale electricity price is that it places a downward effect on the electricity price not an increase as claimed. Solar installations generate electricity during the day when demand is highest and thus reduces the demand for electricity from the national electricity market. Further, the additional renewable generation from renewable power stations such as wind provides increased competition for fossil fuel generators. This means that higher cost fossil fuel generators do not have to be dispatched which reduces the wholesale price for all customers.
- The RET provides partial exemptions from liability to the Energy Intensive Trade Exposed Industry (EITEIs) between 60-80% of their RET liability. EITEIs have also benefited from lower wholesale electricity prices due to the RET.
- Key findings from the RAA analysis are that the cost of the RET that gets passed through to residential customers currently amounts to a modest 1.12 cents per kilowatt-hour (kWh) or 4 per cent of the average residential electricity bill. The cost of the Small-scale Renewable Energy Scheme (SRES) that supports residential solar currently accounts for 0.54 cents per kWh or 2 per cent of a customer's bill and is expected to more than halve over the next two years to account for less than 1 per cent. The reduction in the wholesale price due to the RET is estimated to be 0.67 cents per kWh. In the case of the SRES the reduction in the wholesale price cancels out the future cost increase that gets passed through to customers².

¹ <http://www.aemc.gov.au/Media/docs/2013-Residential-Electricity-Price-Trends-Final-Report-723596d1-fe66-43da->
² <http://www.recagents.asn.au/wp-content/uploads/2014/02/RAA-Impact-of-SRES-on-Power-prices-Final.pdf>

- The biggest uptake of domestic solar PV has been in low income and regional areas. The RET is not middle or upper class welfare³. Suburbs with high incomes have very few solar installations. The claim made that solar panels are on “expensive suburbs” is wrong and not supported by the facts.

We strongly endorse the RET being retained in its current form.

Dermot Duncan
Secretary of the RAA

³ <http://www.recagents.asn.au/wp-content/uploads/2012/09/Research-note-3-Geographical-Summary-Sep-2012-Final.pdf>.