

Agreement in Principle

Mr PAUL LYNCH (Liverpool—Minister for Industrial Relations, Minister for Commerce, Minister for Energy, Minister for Public Sector Reform, and Minister for Aboriginal Affairs) [11.50 a.m.]: I move:

That this bill be now agreed to in principle.

The Electricity Supply Amendment (Solar Bonus Scheme) Bill 2010 amends the Electricity Supply Act to revise the Solar Bonus Scheme. In introducing the bill, the New South Wales Government is striking a better balance between supporting small-scale renewable energy generation and minimising costs to consumers. The New South Wales Government already provides strong support to large-scale renewable energy generation. In addition to Commonwealth Government support for large-scale solar power stations through the Solar Flagships Program, the New South Wales Government will provide up to \$120 million to support a successful New South Wales-based solar power plant. The New South Wales Government also supports renewable energy projects through the Renewable Energy Development Fund. The Government has announced that it is establishing a commercial-scale renewable energy working group to investigate opportunities for installing mid-scale solar panels in network areas as an alternative to network expansion. This may help avoid costly capital expenditure in the future.

The New South Wales Solar Bonus Scheme commenced on 1 January 2010 and runs for seven years. It currently pays households and small businesses a feed-in tariff of \$0.60 per kilowatt hour for all electricity produced and exported to the grid by small-scale solar systems or wind turbines up to 10 kilowatts capacity. The objectives of the scheme are set out in the legislation. They are to encourage and support those who want to generate renewable energy as a response to climate change, develop jobs in the renewable energy sector by assisting renewable energy generation to compete with non-renewable energy generation, and increase public exposure to renewable energy technology to encourage the whole community to respond to climate change.

In the first 10 months of operation the Solar Bonus Scheme has proven to be an extremely popular program. Scheme capacity is now around 100 megawatts, up from around 25 megawatts when it began. More than 50,000 customers have connected renewable energy generators to the grid, up from around 15,000 when the scheme began, and applications to the scheme are continuing to grow strongly. As required by the legislation, a review of the scheme has been undertaken to examine whether the policy objectives of the scheme remain valid and whether the terms of the Act remain appropriate for securing those objectives. Public feedback was sought until 30 September 2010. More than 250 submissions to the review were received. Industry and Investment New South Wales has considered feedback from the public and obtained expert advice from modelling experts AECOM Australia. A report on the outcomes of the review will be tabled in both Houses of Parliament as required by the legislation. Once the report has been tabled, it will be published on the Industry and Investment New South Wales website.

The review found that the scheme has been extremely successful in driving increased small-scale renewable energy generation in New South Wales. Modelling forecasts installed capacity under the scheme will grow to around 960 megawatts by the end of the scheme, if it remains unchanged. Total scheme payments under this scenario reach around \$4 billion. Under the National Electricity Rules, these payments will be passed on to customers in the form of higher electricity network charges. The strong growth in installed capacity of solar photovoltaic systems has coincided with a rapid decline of system costs since the scheme was originally announced in June 2009. Current prices have more than halved. This includes the impact of generous incentives under the Commonwealth's Renewable Energy Target.

AECOM has identified a range of factors driving this dramatic reduction in system prices. External factors—notably a shift in the design of Spain's feed-in tariff scheme and the general global economic downturn—have decreased global demand, built up inventories and reduced module prices. According to AECOM, these declines in module prices have flowed through to lower photovoltaic system prices in the global market. As the majority of photovoltaic systems in Australia are imported, this leads to lower system prices for Australian consumers. The appreciating Australian dollar has intensified the impact of the decline in prices. These are not factors that were possible to predict at the time the scheme was introduced. Indeed, when the Solar Bonus Scheme was introduced in 2009 some members of this House thought the scheme was not generous enough and called for its expansion.

Now the fact is it is very difficult to predict the future price path of renewable energy technologies—precisely because it is an emerging industry undergoing rapid technological and market-driven changes. AECOM, global sustainable energy experts, has identified likely ongoing uncertainty with regards to future prices, until all levels of the market—from global manufacturing to Australian retailing and installation businesses—mature and stabilise. The New South Wales Government recognises this uncertainty and has designed a revised scheme that takes it into account.

The bill introduces a number of important changes to the scheme. A new tariff rate of 20¢ per kilowatt hour will apply to new small retail customers who join the scheme. This new rate is designed to more closely reflect the fall in system prices. A different rate may be prescribed in regulations. This will allow flexibility to deal quickly with new market conditions that emerge in the future. Other scheme criteria, such as maximum system size and the end date for the scheme, remain unchanged. This provides certainty for customers wishing to install small-scale systems.

Customers will continue to receive payment for all electricity exported to the grid. This is known as a gross tariff and is strongly supported by many customers and the renewable energy industry as it provides more certainty as to the likely payments customers may receive. Customers who prefer to receive payment for electricity exported to the grid in excess of that used at the premises may choose to do so. This is known as a net tariff. Some customers may prefer to receive a net tariff in order to take advantage of bill reductions over the longer term and to avoid the costs associated with switching to gross metering arrangements.

Existing customers will continue to receive the original tariff rate. This is to ensure no unfairness to customers who have already connected to the grid. The Government recognises that there are many customers who may have already purchased or leased an eligible generator, or entered into arrangements to do so, who have not yet been connected to the grid and will be concerned about what the changes mean for them. These customers may be eligible for the original tariff rate, provided they lodge their application to connect their system to the grid by 18 November 2010. These customers need to act quickly to lodge their application to connect to the grid on time or make sure their installer does so on their behalf. This date will not be extended. The bill does not permit it. Customers and installers need to act promptly and responsibly. There is ample time for installers and customers to submit their applications. Installers generally submit applications on behalf of customers. I urge customers to check with their installer to ensure their application has been lodged on time.

The bill also clarifies that existing customers who replace a generator—for example, during repairs—can continue to receive the 60¢ tariff rate. However, a customer will no longer be eligible for the higher rate should the size of the generator be increased on or after 28 October 2010. If a customer increases the size of his generator he will cease to participate in the original scheme and will need to apply to join the new scheme. These provisions are designed to ensure existing customers continue to receive the benefits of the 60¢ scheme but that the scheme costs are limited.

The Government has a comprehensive communications strategy in place to promote the changes to stakeholders and the public and we will be continually monitoring the impact of this strategy along the way. New strict provisions apply for those who are non-compliant with scheme requirements. The bill creates an offence if a person fails to notify a distributor—the network business—of any change in a person's circumstances that may affect the person's eligibility for the scheme. The maximum penalty is a fine of up to \$110,000. Customers have seven days to notify their network business of the change. Under the bill, customers can be required to provide information by statutory declaration in order to determine their eligibility for the scheme. This will ensure that the Government can check that customers have provided true and correct information and that purchase arrangements can be verified.

The bill introduces an overall scheme capacity limit of 300 megawatts. This is a cap on the maximum capacity of generators that may receive tariff payments under the scheme. This is a cap on the scheme costs, not a cap on the number of renewable energy generators installed under the scheme. Distributors will be required to provide regular reports on total generating capacity of all generators connected and applications to be connected. Industry and Investment New South Wales will publish on its website fortnightly scheme capacity results, based on these reports. This will enable customers to make informed choices, taking into account scheme capacity levels.

Once scheme capacity has been reached, a public declaration will be posted. Any small retail customer who has not been connected under the scheme once the declaration has been made that scheme capacity has been reached is not eligible to receive a credit under section 15A (5) of the Act. The scheme cap will enable the Government's small-scale renewable energy goals for New South Wales to be met, without imposing excessive scheme costs on electricity consumers. Any potential future closure following the 300 megawatt capacity being reached will not impact the tariff payments for existing customers for the life of the scheme, so long as those customers continue to operate within the scheme requirements.

Finally, the bill sets future scheme reviews in 2012 and as soon as possible after 31 December 2016 to consider whether the scheme achieved its policy objectives. Reports on the outcomes of the reviews will be tabled in Parliament. These changes, taken together, provide a comprehensive package of sustainable support for consumers and the renewable energy industry, a package that limits the impact of scheme costs on energy consumers. Let me be clear: The New South Wales Government is firmly committed to protecting consumers from rising energy costs. No costs associated with the Solar Bonus Scheme will flow through to electricity bills until after 1 July 2011.

The action the Government is taking here today provides the opportunity to constrain these scheme costs for the benefit of all energy consumers. By approving this bill, members of Parliament can take direct action to reduce

anticipated costs by \$2.5 billion by 2016. That is \$2.5 billion that will be shaved off electricity bills. And there is no time to delay, if Parliament is serious about keeping costs down. Scheme capacity is currently estimated to be increasing at the rate of around one megawatt per day, adding daily tariff payments. All that will change once the changes proposed in this bill come into effect.

Today the Premier announced the Government is setting up a formal inquiry to investigate options to reduce or defer electricity network charges and place downward pressure on electricity prices. The inquiry is to be conducted by Dr Tom Parry, Chair of the Australian Energy Market Operator and former Chair of the Independent Pricing and Regulatory Tribunal, and Mr Mark Duffy, Deputy Director General, Minerals and Energy, Industry and Investment NSW. The inquiry will consider options to reduce or defer network charges within the existing regulatory frameworks and independent regulatory pricing processes. Regulated retail electricity prices are determined by the Independent Pricing and Regulatory Tribunal and network charges are regulated by the independent Australian Energy Regulator.

Network costs represent almost 50 per cent of customers' final electricity bills and are the largest driver for electricity price increases. The retail and wholesale components of retail prices for small customers on standard contracts will not be examined as part of the inquiry. There is no scope under the Electricity Supply Act for the Government to set aside the regulators' determinations. However, the inquiry will be asked to identify options for any identified network cost reductions being passed through to consumers from 1 July 2011. The inquiry is expected to provide a draft report to the Government by the end of this year. The Government has acted swiftly to ease the burden of rising electricity prices. The Government has increased and extended energy rebates. Now, one in three households in New South Wales may be eligible for assistance with their energy bills.

The 20¢ tariff rate contained in the bill is a very attractive proposition, in light of falling system prices, Commonwealth Government policies such as the Renewable Energy Target, and competitive market offers from retailers. At present, some retailers are offering payments of an additional 8¢ per kilowatt hour for electricity exported to the grid by renewable energy generators as an extra incentive for customers. These offers add to the income streams of customers and must be taken into account when assessing the tariff rate to be set under the scheme. Customers are encouraged to shop around for the best energy deal through the Independent Pricing and Regulatory Tribunal's price comparison service website MyEnergyOffers, which contains details of the various offers available, including feed-in tariff incentives.

The new scheme will continue to support the small-scale solar industry, at a more sustainable rate. The Solar Bonus Scheme is an important initiative to support households that wish to install renewable energy and the growing clean energy industry. The changes proposed in this bill will ensure the scheme continues to remain appropriate in a changed environment and uphold the original objectives and intention of the Solar Bonus Scheme. I urge members to support this bill and commend it to the House.