



## Fact Sheet

### **SUPPORTING SMALL GENERATION SYSTEMS UNDER THE RENEWABLE ENERGY TARGET (RET) SCHEME**

The Australian Government is supporting the deployment of renewable energy in Australia's electricity supply through the Renewable Energy Target (RET) scheme. The RET scheme guarantees a market for additional renewable energy generation, using a mechanism of tradeable Renewable Energy Certificates known as RECs (backed by a legislative obligation).

The Australian Government has set a target to achieve a 20 per cent share of renewables in Australia's electricity mix by 2020. The Government is increasing the legislated target under the RET scheme more than four times from 9 500 gigawatt-hours in 2020 to 45 000 gigawatt-hours in 2020. The expanded RET scheme will absorb state and territory renewable energy targets into a single national scheme, and is to be implemented through amendments to the legislation that underpins the existing scheme.

The design of the RET scheme is also being changed to provide support to households and businesses for installing small-scale solar, wind and hydro electricity systems. To do this, the Government announced in December 2008 that the Solar Homes and Communities Plan would transition to "Solar Credits" under the RET scheme in mid 2009 to provide longer term certainty to the solar industry.

Systems installed on or after 9 June 2009, where no application has been made up to that date for pre-approval under the Solar Homes and Communities Plan, will now receive Solar Credits under the RET scheme rather than the rebate.

#### **Rebates yet to be paid under the Solar Homes and Communities Plan**

Completed applications for the Solar Homes and Communities Plan which have already been sent, or are sent before midnight on Tuesday 9 June, will be accepted for assessment.

There is a substantial backlog of work for the solar industry to undertake, relating to applications made to the Solar Homes and Communities Plan. More than 63,000 installations are still to be done, based on pre-approvals and applications received. This would take up to 12 months, based on current installation rates.

#### **Small scale renewable energy systems under the RET scheme**

The scheme's current rules allow owners of small-scale solar photovoltaic (PV) systems, small wind turbines and micro-hydro systems to create at the time of installation RECs equivalent to the output of up to 15 years operation depending on the system type. This provides an upfront capital subsidy to householders and businesses, who may sell their RECs on the market.



## **'Solar Credits'**

The expanded RET scheme includes the 'Solar Credits' mechanism to boost the support to households and businesses that install small scale solar PV, wind and hydro electricity systems by multiplying the number of tradeable RECs able to be created for eligible installations.

Solar Credits are to be available for eligible systems installed on or after 9 June 2009. This date will apply regardless of when the legislation passes through Parliament.

### **Accessing Solar Credits**

Once the RET scheme legislation passes through Parliament and required regulations come into force (a few weeks after passage of the legislation), the Office of the Renewable Energy Regulator (ORER) will be able to provide the Solar Credits to applicants.

In the meantime those wishing to create RECs for systems installed on or after 9 June 2009 may choose to apply for RECs under the current deeming arrangements and apply later for the additional Solar Credits when invited by the ORER. Alternatively, they may choose to delay their application until the Solar Credits regulations are in place.

While system owners can create RECs themselves, in practice system owners generally transfer this right to their system supplier in return for a discount on the system price. Further information on registering and creating RECs for small generating units is available on the ORER website [www.orer.gov.au](http://www.orer.gov.au).

Solar Credits will apply to new installations of small-scale renewable energy generators eligible under the scheme. Solar credits will apply to the first 1.5 kilowatts (kW) of capacity installed. Generation from capacity above 1.5 kW will still be eligible for the standard 1:1 rate of RECs creation. The credits will only apply to the first small-scale generation system installed at an address.

Solar Credits will apply from 9 June 2009 and will be phased out by 2015-16. This recognises that technology costs are going down and the Carbon Pollution Reduction Scheme will also be providing incentives for renewable technologies.

Appropriate safeguards will be put in place to prevent double dipping in relation to Solar Credits and rebates under the Solar Homes and Communities Plan.

### **Level of support under Solar Credits**

The level of support in terms of the number of RECs received via Solar Credits will be determined by the date the system is installed. The number of additional credits will be based on the multiple as set out in the following table.

<b>Year</b>	9 June 2009-30 June 2010	2010-11	2011-12	2012-13	2013-14	2014-15	From 2015-16 onwards
<b>Multiplier</b>	5	5	5	4	3	2	No multiplier (1)

If the system is installed between 9 June 2009 and 30 June 2012, the home owner will receive five times as many RECs as under the deeming arrangements for the existing Renewable Energy Target scheme.

The multiplier reduces to four for systems installed from 1 July 2012 to 30 June 2013 and continues to reduce each year until it has phased out to the standard multiple of 1 from 1 July 2015. The timing of the phase-out means that Solar Credits will not adversely affect reaching the 20 per cent target by 2020.

Under the existing Renewable Energy Target scheme, system owners can receive RECs for the lifetime generation of the system either upfront or over longer time periods of one, five or (in the case of solar PV systems) fifteen years (the so-called ‘deeming period’).

To assist with administrative efficiency and for maximum upfront assistance, the additional Solar Credits will only apply in the first time period that certificates are created for a system. This means that home owners can receive the full lifetime benefit of the solar system upfront at point of sale, helping with the upfront costs of installing the system.

## Examples

The level of subsidy will depend on a number of factors, including the price of Renewable Energy Certificates (RECs), the deeming period chosen by the applicant, the location of the solar PV system and the size of the system.

For example, a solar PV system in Sydney, Perth, Adelaide, Brisbane or Canberra will receive \$5,150 for a 1 kW system and \$7,750 for a 1.5 kW system installed in 2009, based on a \$50 REC price.

A system installed in Melbourne or Hobart will receive fewer RECs as these areas have less sunshine so less renewable energy is produced. For example, a 1 kW system installed in 2009 will receive \$4,400 and a 1.5 kW system will receive \$6,650 based on a \$50 REC price.