


## Request for Costing an Election Commitment

<b>Name of election commitment:</b>	<b><i>Renewable Generator Guarantee</i></b>					
Person and party requesting costing:	Meredith Hunter, ACT Greens Parliamentary Leader					
Date of public release of election commitment, including source:	21 <sup>st</sup> September 2012, <a href="http://act.greens.org.au/sites/greens.org.au/files/CLIMATE-ENERGY_PACKAGE.pdf">http://act.greens.org.au/sites/greens.org.au/files/CLIMATE-ENERGY_PACKAGE.pdf</a> (point 2, page 3)					
Summary of election commitment:	A re-designed, reduced-cost gross Feed-in-Tariff for households and businesses installing systems of up to 200kW. The scheme is similar to the German scheme which consists of a price corridor whereby the FIT is adjusted up or down based on whether a pre-determined annual installation target is met by the end of each calendar year. <sup>1</sup> The initial target will be 10MW.					
Intention of election commitment:	The aim of this initiative is to: <ul style="list-style-type: none"> <li>• provide homes and businesses with a guaranteed payment for the renewable energy that they generate;</li> <li>• grow the ACT's clean energy economy; and</li> <li>• engage the community in renewable energy solutions.</li> </ul>					
Signature of person requesting costing:						
Date of request for costing:	10/10/12					
<b>Key assumptions that have been made in the election commitment</b>						
<p><b>Note:</b> that where the request to cost an election commitment differs from the public announcement, the costing will be on the basis of information provided in the costing request.</p> <p><b>Note:</b> it will be up to the professional judgment of the Director-General as to whether these assumptions are adopted in the costing of the election commitment.</p>						
<b>Where relevant, is the funding for the policy to be demand driven or a capped amount?</b>						
N/A.						
<b>Will third parties, for instance the Commonwealth or other State/Territories, have a role in funding or delivering the election commitment?</b>						
No.						
<b>Will funding/the cost require indexation?</b>						
N/A.						
<b>What are the estimated costs each year (if available)?</b>						
	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>Total</b>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue <sup>(a)</sup>						

<sup>1</sup> The tariff is re-set on 1 January based on how much PV was installed in the previous year

Expenses <sup>(a)</sup>		-115	-216	-305	-383	<b>-1,019</b>
Capital						

(a) A negative number indicates a decrease in revenue or an increase in expenses.

**What is the likely take up?**

N/A.

**What are the capital requirements for this election commitment and estimated costs each year (if available)?**

N/A.

**Any other assumptions?**

The cost impacts are the additional cost for the government energy purchase.

- It is expected that the ICRC will approve retailers to pass through the full costs of the Renewable Generator Guarantee. As such, Government electricity bills are expected to increase as set out in the table above:

The assumptions underpinning these cost impacts are:

- an annual installation target of 10MW (100MW over 10 years)
- a starting rate of \$0.20/kWh<sup>2</sup> with a 3% degeneration rate
- 20% reduction in Territory electricity consumption from 2930 GWh in 2012-13 to 2400 GWh in 2020-21
- a daily kWh per kW rate of 1382<sup>3</sup>
- all costs are additional to any existing FiT costs
- a discount rate of 3.25% per annum
- the cost associated with determining the starting price and adjusting the price on an annual basis can be absorbed by existing ICRC staff resources

As such, the following territory-wide pass-through costs are anticipated as a result of the RGG:<sup>4</sup>

	2013/14	2014/15	2015/16	2016/17	TOTAL
<b>RGG Pass-through costs (\$'000)</b>	2,764	5,355	7,781	10,051	<b>25,953</b>
<b>Additional cost per GWh (\$)</b>	943	1870	2781	3678	<b>9,272</b>

In terms of the impact on Government electricity bills, the following additional assumptions have been made:

- Baseline whole-of-government electricity consumption in 2012-13 of 128 GWh<sup>5</sup>
- Whole-of-government electricity consumption reduces in keeping with the Greens proposed energy efficiency targets of 10% in 2013-14 and 5% annually thereafter to 2020-21

<sup>2</sup> This is based on PV prices in June 2012 and is intended to deliver an acceptable rate of return (around 6.9% on a 5kW system) .

<sup>3</sup> Based on the Clean Energy Regulator's calculations

<sup>4</sup> Note that the REC surrender period is actually 1 April to 31 March, so this is an approximation only

<sup>5</sup> This figure was extrapolated from the Environment Commissioner's 2010 Audit of Environmental Performance Reporting (p.16), which reports 2008-09 electricity consumption (excluding GreenPower) of approximately 116,700 MWh. It has been inflated by 10% (2.5% per year to 2012-13) to 128,000 MWh

As such, Government is expected to face the following pass-through impacts from the RGG:

	2013/14	2014/15	2015/16	2016/17	TOTAL
Electricity consumption (GWh)	121.6 <sup>6</sup>	115.52	109.74	104.26	451.12
Impact on Government bills (\$'000)	115	216	305	383	1,019

All modelling is available on request.

#### **Administration of the election commitment**

**How will the election commitment be administered?**

**Who will administer the election commitment?**

The commitment will be administered by ESDD in collaboration with the Independent Competition and Regulatory Commission (who will be responsible for price determinations).

**Has an allowance been made for expenses necessary to support the implementation of this election commitment?**

- If no, will the government agency be expected to absorb expenses associated with this election commitment?
- If yes, please specify the key assumptions.

There would be a cost to the ICRC in determining the starting price and adjusting the price on an annual basis, however we have confirmed with the Commission that this could be absorbed by existing staff resources. According to the ICRC, the initial determination would take 30 staff days (6 weeks) to complete<sup>7</sup> and minimal time for annual adjustments.

**What is the intended implementation date of the election commitment?**

It is intended that the scheme would commence in 2013-14, with payments made for the length of the 20 year contract to which participants are entitled.

**Are there transitional arrangements associated with election commitment implementation?**

No.

**Are there any other assumptions that need to be considered?**

No.

**When is the election commitment expected to be fully operational?**

***Please provide further details i.e. start and end dates, the level of commitment during each period etc?***

It is proposed that the scheme would commence from July 1 2013, once the ICRC has had time to determine an appropriate starting price.

**Will the election commitment cease and if so when?**

N/A.

<sup>6</sup> Assumes a 10% reduction on 2012/13 consumption

<sup>7</sup> Meeting with John Logan and Ross Lambie, 21<sup>st</sup> June 2012

