

**Australian Consumers Association**  
**Submission to**  
**Mandatory Renewable Energy Target Review**  
**A review of the operation of the Renewable Energy**  
**(Electricity) Act 2000<sup>1</sup>**

April 2003

The Australian Consumers' Association (ACA) welcomes the opportunity to comment on the operation of the Renewable Energy (Electricity) Act 2000. ACA is a not-for-profit, non-party-political organisation established in 1959 to provide consumers with information and advice on goods, services, health and personal finances, and to help maintain and enhance the quality of life for consumers. The ACA is funded primarily through subscriptions to its magazines, fee-for-service testing and related other expert services. Independent from government and industry, it lobbies and campaigns on behalf of consumers to advance their interests.

We note that the categories provided on the Cover Sheet for submissions do not provide an explicit category of stakeholder Consumer. In our view, the end-user perspective in the energy industry should not be neglected and hope this omission will not characterise the approach of the Review in general.

***Cost effective abatement should be the target***

In general terms it is the position of the ACA that the atmospheric environmental focus for electricity should be on the policy objective of greenhouse abatement. In our view requirements for abatement should encourage flexibility to develop the most cost effective methods to achieve that policy objective. We have concerns that driving higher targets specifically for renewable technologies will not necessarily deliver proportional reductions in the cost of energy sources targeted by this program.

***Industry assistance***

In our view it is important to separate the goals of:

- a. greenhouse abatement and
- b. assistance to a particular set of electricity generation technologies

Each of these should be dealt with in a transparent and standalone fashion.

ACA does not as a rule support the extension of industry assistance in the form of direct imposts on consumers. We prefer such assistance to proceed by the transparent and direct route of government provision.

***Current flaws in baseline setting***

The ACA is concerned with flaws in the baseline setting process for old large-scale hydro projects and a lack of transparency in the baseline setting process currently apparent in the Mandated Renewable Energy Target (MRET) scheme.

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<sup>1</sup> ACA File Ref 030835/1

It seems likely that consumers will be paying a premium for development of new renewable energy when in fact a significant amount of what they pay will go to existing projects that do not produce any ‘new’ renewable energy at all. While many consumers have indicated they are willing to pay a little extra for good environmental outcomes they also expect to get what they pay for – that is development of additional renewable energy production.

Policy intervention is required to ensure that RECs are only earned for additional generation and to ensure that baseline setting is exposed to public scrutiny. This would go a long way to ensuring that consumers can be confident their money going into the MRET scheme is well spent. We certainly feel that the target for MRET should not be raised in response to this issue. We consider that the scheme should deliver as promised before any consideration is given to increasing the target.

### ***Tradeable Certificates***

A current concern ACA has with the MRET scheme is the potential cost increase of the tradeable certificates in the market. A similar misgiving applies to the notion of emissions trading. We are concerned that such a marketplace could possibly develop trading characteristics (albeit unanticipated and unintended) that could perversely incur consumer cost and detriment. In our view such trading systems must be designed and managed in such a way that consumers and their everyday use of energy are quarantined from market artefacts and distortions. Such a system requires carefully and ongoing supervision that should be the responsibility of a regulator who has the capacity to police it.

### ***Technological neutrality***

In our view, policy makers can usefully avoid specifying technological paths by which goals will be realised. As expressed elsewhere, this is a potential criticism of the MRET scheme in general. In this regard, the notion of implementing a portfolio approach as canvassed in the Terms of Reference<sup>2</sup>, with “a cap on the contribution of any one source and measures to recognise the relative greenhouse intensities of various technologies” would seem to embark on the micro-management of the program in precisely the opposite direction to a technologically non-specific approach. This would require official judgements on various aspects of technological measures, without any necessary assessment of cost issues. Market mechanisms that achieve lowest cost outcomes would suit the interests of consumers more directly.

### ***Conclusion***

There does seem to be reasonable consumer acceptance of the MRET program at the current level. There would also be considerable compensation cost to undo industry commitments made on the basis of the program as constituted, costs that would eventually be borne by consumers. Therefore the ACA does not endorse the abolition of the current scheme and targets. However, in our view policy reform should focus on getting the consumer value and outcomes from current MRET investments right, rather than increasing the target levels. We would prefer a general environmental approach that focuses on the most cost-effective way of achieving the desired outcomes – in this case greenhouse gas abatement.

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<sup>2</sup> <http://www.mretreview.gov.au/terms.html>