

To some extent the Renewable Energy (Electricity) Act 2000 has been a success as it has contributed to reductions in greenhouse emissions by encouraging alternative technologies that would otherwise not be financially viable – for example wind powered generation. However, in my opinion the act has failed by setting base lines for existing hydro generators that reward (encourage) generation above their base line in one year at the expense of future generation, effectively shifting their output but providing no net benefit to the community as the net renewable energy generated over time is never increased.

Over time the outcome of the baseline policy for hydro generators is effectively a wealth transfer from the purchasers of energy to the main hydro generators (Snowy Hydro, Southern Hydro, and Hydro Tasmania) with no increase in the amount of renewable energy generated. The hydro generators now have large incentives to shift as much generation as possible into a single year and generate a large number of REC's. Even if the generators are not able to shift generation between periods due to a lack of storage capacity they have effectively received a large amount of free optionality from the act as they will receive REC's as soon as a base line is met from standard seasonal factors such as wet seasons, dry season irrigation, etc... Once again, this free optionality has been received for no benefit to the community through long-term reductions in emissions, and at a significant cost of compliance to the end-users.

Efficiency targets rather than base line targets should be considered for hydro generators to encourage refurbishment and upgrading of existing hydro units when economic. Hydro generators with improved efficiency or operating practises would then generate REC's and will have actually contributed to a reduction in greenhouse gas emissions.

Until these changes are made the majority of REC's will almost certainly be generated by the existing hydro generators rather than by actually encouraging new projects that reduce greenhouse gas emissions.

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