Australian Government

Department of Climate Change

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 Government's RET scheme is designed to ensure that 20 per cent of Australia's electricity comes from renewable sources by 2020. The RET increases the previous Mandatory Renewable Energy Target by over four times, from 9,500 gigawatt-hours to 45,000 gigawatt-hours in 2020, driving significant investment and accelerating the deployment of a broad range of renewable energy technologies. In ten years time the amount of electricity coming from sources like solar, wind and geothermal will be about equal to all of Australia's current household electricity use.

The new RET laws include new incentives to support Australian households and businesses installing small-scale solar, wind and micro hydro generating systems. 'Solar Credits' are now available to households, businesses and community groups that install eligible small generation units by providing multiple RECs for each megawatt-hour of energy produced.

Small scale renewable energy systems under the RET scheme

The RET scheme's 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, businesses and community groups, who may sell their RECs on the market.

While system owners can create RECs themselves, in practice owners generally transfer this right to their system provider in return for a discount on the system price or a cash payment.

'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 micro-hydro systems by multiplying the number of tradeable RECs able to be created for eligible installations.

Solar Credits are available for eligible systems installed on or after 9 June 2009. Solar credits 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.

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Solar Credits 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.

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.

Year	9 June 2009-30 June 2010	2010-11	2011-12	2012-13	2013-14	2014-15	From 2015-16 onwards
Multiplier	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 standard deeming arrangements.

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 standard RET scheme rules, 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 benefit of the solar system 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.

Eligibility Criteria

The eligibility rules are prescribed in the RET scheme regulations, administered by the Office of the Renewable Energy Regulator (ORER).

Key rules are summarised below. Details of the rules are available on the ORER website at www.orer.gov.au.

- The system must be an eligible 'small generation unit'; being a solar PV system of up to 100 kilowatts (kW) capacity; a small wind turbine of up to 10kW capacity or a micro-hydro system of up to 6.4 kW capacity.

- The system must be installed at an eligible premises. Examples include houses, townhouses, residential apartments and shops.

- The system must be a new and complete unit.

- There is to be no 'double-dipping' in relation to the Solar Homes and Communities Plan, the Renewable Remote Power Generation Program (RRPGP), or the National Solar Schools Program (NSSP). That is, a premises receiving a grant or rebate under any of these programs is not entitled to Solar Credits.

- No more than one system at an eligible premises (address) is entitled to Solar Credits.

- Solar Credits may only be created once for a particular installation, irrespective of whether the certificates are created for a 1-year, 5-year or 15-year deeming period.

- The system must have been installed no more than 12 months prior to the date of application for Solar Credits.