

**April 2011**

*This newsletter is prepared by Green Energy Trading for clients and stakeholders to keep them informed about policy, regulatory and market developments that impact their business and the renewable energy and energy efficiency industries.*

## **Solar Credits Multiplier Reduction**

The Solar Credits scheme, which currently multiplies your STCs by 5, will be reduced to 4 for systems installed after June 30, 2011.

For example: A 1.5 kW system installed in NSW (zone rating 1.382) with the normal deeming period of 15 years is eligible for  $1.5 \times 1.382 \times 15 = 31$  STCs before the Solar Credits multiplier is applied.

If the system is installed on or before 30 June 2011, the owner can claim  $5 \times 31 = 155$  STCs.

If the system is installed on or after 1 July 2011, the owner can claim  $4 \times 31 = 124$  STCs

**It is important to note that this is based on installation date – a system must be capable of producing electricity from the sun, though does not need to be connected to the grid.**

From 1 July, the STC calculator on our website will be updated to allow for the Solar Credits reduction – please check your STC calculations here:  
<http://www.greenenergytrading.com.au/solar-pv-systems-2.html>

There has been speculation that the Minister may announce a further reduction to the Solar Credits Multiplier – perhaps from 5 to 3 from 1 July 2011. While this would significantly impact net system costs to customers, it would take some heat out of the market and help support the STC price.

## **ACT FiT Review**

The Independent Competition and Regulatory Commission released the results of its recent review of the ACT premium feed-in tariff rate. The scheme is currently the most attractive in Australia, offering 47c/kWh, the Commission advises reducing this to 39c/kWh. This is based on the reduction in system and component costs and strong competition within the market. On 1 April, however, the Minister for Energy announced the rate was to remain unchanged, in order to provide more certainty to the industry.

<http://www.chiefminister.act.gov.au/media.php?v=10564>

## **Changes to SA FiT**

SA Government tabled legislation at the beginning of April to increase the rate to 54c/kWh. Those who received ETSA Utility permission to connect to the grid after 31 August 2010 will be eligible for the increased rate. The payment will, however, be limited to 45kWh exported per day, and limited to one generator per customer. The legislation also proposes to close the scheme to new entrants from 1 October 2011. The scheme has encouraged the installation of 4,100 PV systems within the state since the scheme's commencement in March 2009.

<http://www.renewablessa.gov.au/news/solar-feed-in-enquiries>

## **NSW FiT scheme on hold**

The NSW Solar Bonus Scheme was closed to new applications from midnight 28 April 2011. A 300MW installed capacity cap was imposed on the highly popular feed-in tariff scheme during a review last October, when the tariff rate was also reduced by two thirds. By the beginning of April, 250MW had been installed under the scheme, however over 350MW of applications have been received. The NSW Government are holding a Solar Summit on 6 May 2011, at which the scheme is to be reviewed. Those currently participating in the scheme will not be impacted.

<http://news.smh.com.au/breaking-news-national/nsw-solar-bonus-scheme-suspended-20110429-1dzw.html>

## **Solar Kinders**

Over 400 crèches and kindergartens will be fitted with solar PV, under the QLD Government's \$5.76 million Solar Kindergarten Installation Program. 166 sites have been identified for installations after April 2011. The Government also committed to installing 1.5 kW systems on up to 240 new kindergartens.

<http://www.cabinet.qld.gov.au/mms/StatementDisplaySingle.aspx?id=74072>

## Flood victims offered rebate

Those affected by Cyclone Yasi and QLD flooding are now eligible for the QLD Solar Hot Water rebate. The state rebate, which was previously only available to those replacing an electric water heater, has been extended so that those forced to purchase a new system due to natural disaster may be eligible, regardless of the original system type. The rebate values remain unchanged, with low-income earners receiving \$1,000, and all others \$600.

<http://www.brightthing.energy.qld.gov.au/rebate-and-incentives/solar-hot-water-rebate/special-provisions/>

## SWH and PV Certificate Creation

Over 5.6 million certificates were created during March – about 1.7 million more than February. Of these, 5.1 million were STCs – bringing the total STC creation for the first quarter beyond the 9.9 million STC target.

PV installations resulted in the creation of nearly 4.9 STCs during March. About 412,000 PV LGCs were created, from systems installed during 2010. We expect this number to progressively decrease. Overall, PV certificate creation was 48% higher than February levels.

Off-grid PV systems are eligible for the Solar Credits multiplier up to 20kW capacity, compared to the 1.5kW capacity limit for grid-connected systems. This additional eligible capacity for off-grid systems is capped at 250,000 certificates (created from these systems) for the July 2010 – June 2011 period. By April 2011, 85,407 certificates had been registered towards this cap.

During March, nearly 199,000 STCs and just 81,000 LGCs were created from SWH and heat pump systems. SWH installation rates continue to reduce, March certificate creation falling by about 4% from February.

## Certificate Prices

Wholesale spot STC prices (parcel size greater than 5,000 STCs) have fallen dramatically over the past month, as market participants came to the realisation that the first quarter's target was likely to be exceeded. STCs were trading around \$39 in the beginning of March, but fell to below \$30 by mid-April and ending the month at \$26. As liable parties are filling their quota and leaving the market, it has become evident that many will not need to purchase certificates through the clearing house. This has left the wholesale STC price well below the \$40 ceiling price. For a full explanation of current pricing pressures, visit our blog: <http://www.greenenergytrading.com.au/news-talking-green-energy/falling-price-of-stcs.html>

Wholesale spot LGC prices remained quite steady during March at around \$36, though with very little market activity. April brought a welcome change, with prices increasing to over \$40 during the second week and ended the month at less than \$40.

## Energy Efficiency Certificates

In Victoria, VEEC creation slowed during December, with about 64,000 certificates created. This is nearly a third of February creation. As the supply of VEECs is thinning, the wholesale spot price has increased from about \$14 to \$20. However, there is still very little market activity.

In the NSW Energy Savings Scheme, 60,000 ESCs were created in March, compared with 204,000 ESC created during February. The wholesale spot price is expected to be around \$30, however trades have not been reported since the compliance date in March.

## STC Target Projections for 2012 and 2013

The ORER was required to release non-binding estimates of the Small-scale technology percentages for 2012 and 2013. It commissioned ACIL Tasman to update their November 2010 report and released the following estimates on 31 March 2011.

- 2012 is 16.75% (equivalent to 31.1 million STCs) and incorporates an estimate of 6.4 million STCs that are carried forward from 2011.
- 2013 is 10.62% (equivalent to 20.2 million STCs)

Given the large number of PV systems that have been installed recently we believe that the 2012 figure is low and should incorporate a higher level of STCs carried forward from 2011.

## First Quarter – STC outcome

The small-scale renewable energy scheme has now completed its first compliance quarter. Liable parties were required to surrender 35% of the 28 million annual STC target by 28 April 2011 - notionally 9.8 million. An analysis of the STC Registry on 28 April 2011 shows that:

- A total of 12.1 million STCs were approved and registered by the regulator
- Of these, 8.8 million had been surrendered by liable parties to meet their first quarter liability
- A total of 118,000 STCs had been purchased and settled through the clearing house, this represented 1.3% of the total STCs surrendered
- 3.3 million STCs remained in surplus and of these 750,000 STCs remained in the clearing house and were not settled
- The large surplus of STCs in the market means that it will be a very long time until the clearing house comes into play in any meaningful way.

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