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THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

RENEWABLE ENERGY (ELECTRICITY) (SMALL-SCALE TECHNOLOGY SHORTFALL CHARGE) BILL 2010

EXPLANATORY MEMORANDUM

(Circulated by authority of the Minister for Climate Change, Energy Efficiency and Water, Senator the Honourable Penelope Ying Yen Wong)
GENERAL OUTLINE

The purpose of the Renewable Energy (Electricity) (Small-scale Technology Shortfall Charge) Bill 2010 (the Bill) is to support the separation of the Renewable Energy Target (RET) scheme into two parts – the Large-scale Renewable Energy Target (LRET) and the Small-scale Renewable Energy Scheme (SRES) – outlined in the Renewable Energy (Electricity) Amendment Bill 2010. The changes will provide greater certainty for households, large-scale renewable energy projects and installers of small-scale renewable energy systems such as solar panels and solar water heaters. The enhanced scheme will further strengthen the Government’s commitment that the equivalent of at least 20 per cent of Australia’s electricity will come from renewable sources by 2020.

In particular, the Bill will establish the rate of charge to be used in the calculation of the taxation liability assessed under Subdivision C of Division 1 of Part 4 of the Renewable Energy (Electricity) Act 2000.

Background

The legislation underpinning the scheme comprises the Renewable Energy (Electricity) Act 2000 (the Act); the Renewable Energy (Electricity) Charge Act 2000 (the Charge Act); and the Renewable Energy (Electricity) Regulations 2001 (the Regulations).

Under the Act, wholesale purchasers of electricity (‘liable entities’) are required to meet a share of the renewable energy target in proportion to their share of the national wholesale electricity market. The Act provides for the creation of Renewable Energy Certificates (RECs) by generators of renewable energy. One REC generally represents one megawatt-hour (MWh) of electricity from eligible renewable energy sources. Installations of solar water heaters and small generation units (including rooftop solar panels, small wind turbines and micro-hydro systems) are able to create RECs under deeming arrangements prescribed in the Regulations. Once registered, the RECs are able to be traded and sold to liable entities who may surrender them to the Regulator to demonstrate their compliance under the scheme and avoid paying the shortfall charge. The Charge Act sets the level of the shortfall charge for non-compliance.

Details of the Bill are set out in the Attachment.

FINANCIAL IMPACT STATEMENT

NOTES ON INDIVIDUAL CLAUSES

Clause 1 - Short Title

1. This clause is a formal provision specifying the short title of the amending Act.

Clause 2 - Commencement

2. This clause sets out that sections 1 and 2 of the Act will commence on the day the Bill receives the Royal Assent and that sections 3 to 7 will commence at the same time Part 1 of Schedule 1 to the Renewable Energy (Electricity) Amendment Act 2010 commences (1 January 2011).

Clause 3 - Definitions

3. This clause provides that expressions used in the Act will have the same meaning as those used in the Renewable Energy (Electricity) Act 2000. In particular, the defined terms small-scale technology shortfall charge and MWh are used in clauses 5 and 6.

Clause 4 - Act to bind Crown

4. This clause sets out that the Act will bind the Crown in right of each of the States, of the Australian Capital Territory, of the Northern Territory and of Norfolk Island but will not bind the Crown in right of the Commonwealth.

Clause 5 - Imposition

5. This clause imposes the small-scale technology shortfall charge that is payable under the Renewable Energy (Electricity) Act 2000. Accordingly, this clause will impose the taxation liability assessed under Subdivision C of Division 1 of Part 4 of the Renewable Energy (Electricity) Act 2000.

Clause 6 - Rate of charge

6. This clause provides that the rate of charge is $65 per megawatt-hour. This is the same as for the large-scale renewable energy shortfall charge.

Clause 7 - Act does not impose a tax on property of a State

7. Consistent with section 114 of the Constitution, this clause provides that the Act does not impose a tax on property of any kind belonging to a State. Nonetheless, it is not anticipated that the Act would operate to impose a tax on the property of a State.