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THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

**RENEWABLE ENERGY (ELECTRICITY) (CHARGE) AMENDMENT BILL 2010**

EXPLANATORY MEMORANDUM

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

# RENEWABLE ENERGY (ELECTRICITY) (CHARGE) AMENDMENT BILL 2010

## GENERAL OUTLINE

The purpose of the Renewable Energy (Electricity) (Charge) Amendment 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 B 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

Refer to the statement in the Explanatory Memorandum for the Renewable Energy (Electricity) Amendment Bill 2010.

## NOTES ON INDIVIDUAL CLAUSES

### Clause 1 - Short Title

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

### Clause 2 - Commencement

2. This clause sets out that section 1 to 3 of the Act will commence on the day the Bill receives the Royal Assent and that the items in Schedule 1 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 - Schedule(s)

3. This is a formal clause providing that each Act specified in the Schedule is amended or repealed as set out in the applicable items in the Schedule, and other items in the Schedule have effect according to its terms.

## SCHEDULE 1 – AMENDMENTS

### *Renewable Energy (Electricity) (Charge) Act 2000*

#### Item 1 - Title

4. This item replaces the term *renewable energy certificate charge*, with *large-scale generation shortfall charge* in the long title to the Act. This recognises that the Act will now deal separately with large-scale liability under the *Renewable Energy (Electricity) Act 2000* and that the *Renewable Energy (Electricity) (Small-scale Technology Shortfall Charge) Act 2010* will impose liability in relation to the small-scale liability under the *Renewable Energy (Electricity) Act 2000*.

#### Item 2 - Section 1

5. This item replaces the term *Charge* with *large-scale generation shortfall charge* in the short title to the Act. Accordingly, from 1 January 2011 the Act will be known as the *Renewable Energy (Electricity) (Large-scale Generation Shortfall Charge) Act 2000*.

#### Item 3 – Section 5

6. This item amends section 5 to refer to the new term *large-scale generation shortfall charge*. Accordingly, section 5 will impose the taxation liability assessed under Subdivision B of Division 1 of Part 4 of the *Renewable Energy (Electricity) Act 2000*.

#### Item 4 – Application of amendments

7. This item clarifies that the \$65 *large-scale generation shortfall charge* applies to shortfalls that occur in the calendar years between 1 January 2011 and 31 December 2030. Accordingly, the unamended Act will continue to apply to the 2010 liability which is assessed by 14 February 2011 in a liable entity's energy acquisition statement and in relation to any liability for any earlier year which has not been resolved.