



Hon Peter Collier MLC
Minister for Energy; Training and Workforce Development; Indigenous Affairs

Your ref: Petition 125
Our ref: 34-15693

Hon Brian Ellis MLC
Chair
Standing Committee on Environment and Public Affairs
Parliament House
PERTH WA 6000

Dear Mr Ellis

**PETITION NO 125: RESTORATION OF THE ELECTRICITY NET FEED-IN
TARIFF**

Thank you for your letter dated 10 November 2011 raising additional questions pertaining to renewable energy matters in consideration of the above petition. I apologise for the delay in responding to the Committee's questions.

The points outlined below are made in response to the request for Government views as to the barriers to renewable energy uptake in Western Australia and additional information requirements for policy considerations in this regard.

The national expanded Renewable Energy Target Scheme, established by the Commonwealth Government, is the primary driver of investment in renewable energy in Western Australia.

As you will be aware, Western Australia has excellent renewable energy resources and will make a substantial contribution to the target. A case in point is the Collgar Wind Farm, which is a major renewable energy development and will double wind energy generation in the State when fully commissioned.

Renewable energy is currently more expensive than conventional electricity generation from coal or gas, which presents a barrier to the further development and application of the technology in Western Australia. While wind energy is the most commercially competitive form of renewable energy, this form of electricity generation is highly variable, which makes it challenging to integrate into the State's main electricity grid.

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I would note that there are a number of changes to energy market arrangements underway to increase costs for electricity generators with highly variable output, such as wind energy facilities, and improve the relative competitiveness of reliable and predictable sources of renewable energy generation.

These revisions to the market arrangements are being managed by the Independent Market Operator under the Market Evolution Program. Further information on the program is available at www.imowa.com.au.

Another consideration is the limited size of Western Australia's electricity market, which is also isolated from the National Electricity Market (NEM). Other jurisdictions such as South Australia are part of the NEM, enabling it to sell excess electricity generation into Victoria at times when the wind is blowing but demand is low in South Australia.

On this basis, significant renewable energy penetration is likely to be a longer-term prospect for Western Australia, even if national policy settings lead to very high prices on carbon emissions in the short to medium term.

There are a number of other challenges impacting on renewable energy developments that are also shared by more traditional forms of electricity generation. These issues relate to negotiation of access to the electricity network, arranging project financing, arrangements for land tenure (along with relevant site access and planning approvals) and the commercial negotiation of suitable off-take agreements for the sale of energy (and renewable energy certificates).

The Office of Energy has developed the Renewable Energy Handbook to provide guidance on the relevant approvals processes applicable to such renewable energy project developments. This publication is available on the Office of Energy website (www.energy.wa.gov.au).

I would also note that the Government is currently considering extending existing renewable energy buyback arrangements of Synergy and Horizon Power to all customers within prescribed energy usage thresholds that are still to be determined.

The Commonwealth Government has recently released two reports commissioned by the Australian Centre for Renewable Energy (ACRE), examining the renewable energy potential in off-grid locations within the Pilbara and Mid West Regions of Western Australia. The reports are available on the Commonwealth Department of Resources, Energy and Tourism website (www.ret.gov.au).

The reports identified a number of constraints to renewable energy project developments including capital intensity of the technologies (compared to conventional generation), absence of large renewable project benchmarks in the Regions, aversion to new technology and concerns regarding intermittency of more commercial technologies (particularly for the mining sector with a significant risk to continuous process output).

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Other barriers identified in the ACRE reports included the need for improved understanding of resource potential, environmental impacts (including cyclone activity), and the limited life of mining projects compared to long life and more capital intensive renewable energy generation assets and grid connection/transmission interconnection issues.

The reports suggested that the best prospects for larger scale renewable energy generation related to hybrid applications (associated with diesel or gas-fired generation), particularly given increased pricing uncertainty for these conventional fuel sources.

The Western Australian Government is developing a plan to meet the State's energy needs over the next 20 years.

Diversification of the State's energy fuel sources, including the use of clean energy, is one of the key themes of the Western Australian Government's Strategic Energy Initiative: *Energy2031*, currently under development by the Office of Energy. The Office of Energy's website provides more details in this regard.

Consultation processes associated with *Energy2031* have provided an extensive amount of information that will aid development of the Government's future policy initiatives associated with promoting renewable energy project developments in Western Australia.

I trust that the above information addresses the questions that you have raised.

Kind regards



Hon Peter Collier MLC
MINISTER FOR ENERGY

29 NOV 2011

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