



**Australian Government**  
**Climate Change Authority**

# RENEWABLE ENERGY TARGET REVIEW

Final Report

DECEMBER 2012



# OVERVIEW

*This is the final report of the Climate Change Authority on its review of the Renewable Energy Target.*

The Climate Change Authority (the Authority) was established on 1 July 2012 as an independent advisory body on climate change. The Authority is to conduct climate change research, as well as periodic statutory reviews on a range of climate change policies. This report covers its first statutory review of the Renewable Energy Target (RET).

An issues paper was released in August 2012 setting out background to the RET and seeking feedback from stakeholders on key issues. Almost 8 700 submissions were received in response.

In October 2012, the Authority released a discussion paper outlining its preliminary views on the RET. Consultations were held with a wide range of stakeholders through a series of roundtables and individual meetings. Written feedback on the discussion paper was also received from a number of stakeholders. The Authority is grateful to all the industry and community groups, governments and other participants who provided initial submissions and feedback on the discussion paper; the Authority has taken this feedback into account in reaching its final recommendations.

The RET commenced operation in 2001 as the Mandatory Renewable Energy Target (MRET), with the objectives of encouraging additional investment in renewable energy generation and reducing emissions of greenhouse gases in the electricity sector. Various amendments (some substantial) have been made to the scheme over time.

The RET creates demand for additional renewable energy generation by placing an obligation on entities that purchase wholesale electricity to surrender a certain number of renewable energy certificates each year. The RET operates as two schemes – the Large-scale Renewable Energy Target (LRET) and the Small-scale Renewable Energy Scheme (SRES).

*The RET is an established scheme, which has operated for some years.*

The Authority acknowledges that in conducting this review, it was not starting with a blank canvas. The RET has operated for some years; many companies have already made significant investments on the basis of the existing legislation and more commitments are in the pipeline.

The Authority also acknowledges that the renewable generation and reductions in greenhouse gas emissions created through the RET entail costs that are borne by electricity consumers already experiencing large increases in electricity prices for other reasons.

*The policy landscape is changing but major uncertainties remain.*

The policy landscape has changed significantly since the MRET was introduced. In particular, a carbon pricing mechanism is in place and is intended, over time, to be the main instrument by which Australia achieves its greenhouse gas emissions reduction targets. In addition, the Commonwealth Government has established the Australian Renewable Energy Agency (ARENA) and the Clean Energy Finance Corporation (CEFC).

These organisations are intended to support the future development of renewable generation. Further changes have been on-going step rises in electricity prices – and lower projections of demand – largely for reasons unrelated to the RET.

The Authority believes the RET has a continuing role to play in supporting investment in renewable generation in an uncertain policy environment. The review therefore focusses on possible improvements in the RET, rather than challenges its continued existence.

The real challenge for the Authority has been to reach recommendations that would represent an appropriate balance between promoting investments in renewable generation to reduce Australia's greenhouse gas emissions on the one hand, and containing the costs of the arrangements to electricity users on the other.

The *Climate Change Authority Act 2011* (Cth) outlines certain guiding principles that the Authority must have regard to in pursuing this balance, including economic efficiency, environmental effectiveness and equity considerations. This the Authority has endeavoured to do, having regard to the following broad objectives:

- increasing confidence and predictability;
- managing overall costs to electricity users and providers;
- providing flexibility and choice; and
- streamlining administration and compliance costs.

## Increasing confidence and predictability

*Confidence and policy stability are critical for ongoing investment in renewables.*

Confidence, including in the sustainability of important policy frameworks, is critical in persuading investors (and their financiers) to continue with their plans for long-term investments in renewable generation. Shocks to confidence, from whatever source, tend to be followed by curtailments and deferrals of investment plans, as witnessed in the mining sector of late.

The Australian electricity market is already facing considerable uncertainty, not least in response to the future of the carbon price arrangements. In its recommendations, the Authority has sought to avoid adding to these uncertainties in ways that could increase risk premiums required by lenders and investors in renewable energy.

### *Frequency and scope of future reviews*

One of the Authority's recommendations intended to promote confidence and predictability relates to the frequency and scope of future reviews. Currently, the *Renewable Energy (Electricity) Act 2000* (Cth) (*REE Act*) requires reviews of the scheme to occur every two years. Many participants commented on this issue and, regardless of their position on the RET overall, mostly argued against two-yearly reviews.

*The Authority should review the RET every four years to promote greater investor confidence.*

Given the importance it attaches to supporting investor confidence, and the impracticalities of undertaking in-depth reviews within a two-yearly period, the Authority's recommendation is that the frequency of scheduled reviews should be amended from every two years to every four years. This approach would see the next scheduled review of the RET take place in 2016 when, hopefully, some current policy uncertainties will be somewhat clearer. Unscheduled reviews could be initiated by the Commonwealth Government of the day at any time.

The Authority is not recommending any narrowing of the scope of future reviews.

### *The level and form of the Large-scale Renewable Energy Target*

The level and form of the LRET target was a major focus of the review, with potentially significant impacts on confidence and predictability for many stakeholders.

Currently, the RET comprises the LRET with a fixed legislated target rising to 41 000 gigawatt hours (GWh) per annum for the period 2020 to 2030, and an 'uncapped' SRES with no quantitative limit.

*There was a wide range of views regarding the appropriate level and form of the large-scale target.*

Most submissions to the Authority commented on the level of the LRET target, with views generally falling into one of four camps:

- leaving the existing target unchanged at 41 000 GWh;
- reducing the gigawatt hour target to align it with an updated version of 20 per cent of projected electricity supply, based on current forecasts of electricity demand, which are significantly lower than previous forecasts (either on a rolling or a once-off basis). Advocates of a target of no more than 20 per cent argued this would reduce the potential costs of the scheme, particularly for energy users and incumbent generators;

- increasing the target to promote a greater share of renewable energy more quickly and, particularly in light of the creation of the CEFC, to make any renewable generation attributable to the CEFC additional (in quantity terms) to that delivered by the RET; and
- repealing the RET altogether.

*On balance, the benefits of changing the target do not appear likely to outweigh the costs of reduced investor confidence.*

On balance, the Authority is not convinced that a compelling case exists to adjust the target. In arriving at this judgement, the Authority has given particular weight to concerns that any changes to the target at this time would reduce investor confidence and increase risk premiums for planned renewable energy projects. Given existing uncertainties in the climate change policy area, this would affect the likelihood of meeting any particular target.

Several supporters of a reduction in the target also advocated a change in its form – to either a floating percentage-based target, or retaining the current gigawatt hour target, but setting this level periodically.

*The target should remain fixed in terms of gigawatt hours to provide confidence to investors.*

The Authority recommends that the form of the target should remain fixed in terms of gigawatt hours. In its view, a one-off change to the level of the target risks damage to investor confidence and possibly more so if the target was expressed as a percentage, or in gigawatt hours but adjusted over time.

The 2016 review should take into account the fact that the RET is viewed as a transitional measure, to provide temporary industry support and encourage additional renewable energy generation ahead of a carbon price trajectory consistent with delivering on Australia’s long-term environmental goals.

### Shortfall charge

*No change is required to the shortfall charge but, if circumstances were to change materially, it should be reconsidered.*

Based on its consultations, as well as its commissioned modelling work, the Authority considers that the current shortfall charge is sufficient to encourage compliance with the 41 000 GWh target. The Authority does not, therefore, recommend any change to the shortfall charge at this time. The Authority notes, however, that in the event that the carbon price or electricity demand are significantly lower than currently projected, there is a risk that the target would not be met with the current shortfall charge. The Authority would propose to consider the level of the shortfall charge in its scheduled 2016 review, or earlier if circumstances warrant.

### The ongoing existence of the Small-scale Renewable Energy Scheme

*The SRES should remain separate from the LRET...*

The Authority recommends that the SRES remain a separate scheme, and its broad structure remain largely unchanged. This would provide a degree of confidence and predictability for the small-scale installers, small businesses, households and community groups participating in the scheme.

*... as there are less disruptive ways of addressing concerns over costs than remerging the schemes.*

The Authority examined the possibility of remerging the SRES and the LRET into the one scheme. The primary benefit is a likely reduction in costs because it would cap SRES generation, leading to less overall renewable energy generation in 2020. The main disadvantage is the risk of undermining investor confidence. On balance, the Authority believes there are preferred ways of addressing concerns about the costs of the SRES, some of which have been implemented recently in respect to feed-in tariffs and multipliers.

*The clearing house should be amended to a ‘deficit sales facility’ to make it clear that it cannot guarantee a set price of \$40 per certificate in a timely fashion.*

To provide clarity to scheme participants, the Authority recommends that the clearing house be amended to a ‘deficit sales facility’, whereby certificates are only allowed to be entered in the clearing house when the clearing house is in deficit (that is, only when regulator-created certificates have been issued to liable entities). This would allow the continued operation of the clearing house as a price cap, while making it clear that it is unable to guarantee a set price of \$40 per certificate in a timely fashion. Such a change would also allow the clearing house price to be more easily amended as there would be no need for transitional arrangements for certificates on the transfer list.

Other recommendations in respect of the SRES, which bear upon cost containment, are discussed below.

### *The liability and exemption framework*

The Authority's recommendations in relation to the liability and exemption framework also reflect its concerns to promote confidence and predictability.

The current settings for the point of liability and the 100 megawatt grid capacity threshold appear to be functioning effectively. Liable entities are accustomed to the existing arrangements and there are no compelling reasons for change.

*The renewable power percentage and small-scale technology percentage should be set prior to a compliance year, preferably by 1 December of the preceding year.*

Some participants proposed changing the timing of the publication of the renewable power percentage and small-scale technology percentage from 31 March of the compliance year, to before the commencement of the compliance year.

The Authority agrees and recommends that the percentages be announced by 1 December of the previous year. If the Commonwealth Government is attracted to this recommendation, it may wish to consider whether to continue setting the percentages in regulations or some other way.

*Current arrangements for the surrender of certificates should be maintained.*

Currently, certificates must be surrendered annually under the LRET and quarterly under the SRES. The Authority recommends the retention of this framework as it provides a reasonable balance between providing cash flows to sellers of certificates and managing the compliance costs for liable entities.

The recommended changes to the announcement of the percentages also help to reduce some of the compliance cost burdens of liable entities under the SRES, as they will have greater certainty of their first quarter liability earlier in the compliance year and may therefore be able to manage certificate purchases in a more efficient way.

*The exemption from liability under the RET for self-generation should continue in its current form.*

As to self-generation, the Authority's preliminary view was that the exemption should be retained for current projects but not allowed for new projects. Considerable feedback was provided by stakeholders on this issue, and further issues were identified regarding the effect of repealing the exemption for new self-generators.

The Authority has now revised its preliminary view. Given the small proportion of electricity estimated to be produced by self-generators, complications in setting of an appropriate threshold for exempting new self-generators, and the fact that the current provisions may support new lower-emissions investments, the Authority is of the view that the self-generation exemption should continue in its current form.

The Authority also recommends that an appropriate framework be developed to allow for incidental electricity offtakes under the self-generation exemption which provide community benefits in remote locations.

### *Eligibility under the Renewable Energy Target*

*The LRET eligibility and accreditation arrangements are working well and no change is required.*

The Authority considers that the current LRET eligibility and accreditation arrangements are appropriate. They ensure power stations are established in accordance with relevant regulations and are registered to create large-scale generation certificates.

*Existing arrangements for waste coal mine gas should be maintained...*

Policy-makers have placed clear boundaries on the support for waste coal mine gas under the LRET. Only existing waste coal mine gas power stations are eligible to create renewable energy certificates and (only until 2020), with separate targets that are additional to the broader LRET target. Given this contained support, the Authority recommends maintaining the current LRET arrangements for existing waste coal mine power stations.

*... but new waste coal mine gas should not be eligible under the LRET.*

Waste coal mine gas was included in the LRET as a transitional measure. Given that a carbon pricing mechanism is now in operation, there is no strong rationale for new waste coal mine gas to be eligible.

*The Commonwealth Government should explore whether the RET eligibility for native forest wood waste is likely to increase the rate of logging of native forests. If it is not, then wood waste eligibility should be reinstated, subject to appropriate accreditation processes.*

*New small-scale technologies should be considered for inclusion in the SRES on a case by case basis.*

*Displacement technologies are better suited to an energy efficiency 'white certificate scheme' than the RET.*

*No new displacement technologies should be admitted but existing displacement technologies should remain eligible.*

Wood waste from native forests is not included in the LRET. It was originally included in the MRET, but removed from the RET in 2011. Some stakeholders have argued for its re-inclusion in the scheme.

The Authority believes that the Commonwealth Government should explore whether RET eligibility for native forest wood waste is likely to increase the rate of logging of native forests. If satisfied that it would not, wood waste eligibility should be reinstated, subject to appropriate accreditation processes to ensure no additional logging of native forests occurs as a result.

The Authority proposes that the possible inclusion of new small-scale technologies in the SRES should be considered by the Minister on a case by case basis, on a range of objective considerations.

At this time, the Authority does not consider that any new technologies are mature enough to warrant their immediate inclusion in the SRES.

### *No new displacement technologies*

One of the objectives of the RET is to encourage additional electricity generation from renewable sources. In principle, technologies that displace electricity, rather than generate it, do not further this objective and, while important, do not belong in the RET. Displacement technologies would seem to be better suited to an energy efficiency 'white certificate scheme' (a certificate trading scheme where the certificates would relate to an amount of energy saved).

The SRES already includes two 'displacement' technologies – solar water heaters and heat pumps. Given these anomalies already exist in the scheme, it is more difficult to argue that no new displacement technologies should be added (both technologies have potentially the same effect on greenhouse gas emissions, for example). This issue, incidentally, highlights the difficulties inherent in technology specific measures rather than broad-based measures, like a carbon price; technology specific schemes require that boundaries be drawn around eligibility.

Given the RET's primary focus on generation, the Authority recommends that no new displacement technologies be added to the RET.

The Authority recommends that existing displacement technologies should remain eligible at this time but, in the event that a national white certificate scheme were to be implemented, all displacement technologies should cease to be eligible under the RET, and be transferred to that new scheme. The ongoing eligibility of solar water heaters should be reviewed in light of regulatory developments: to the extent that solar water heaters are mandated through other means it would be difficult to justify their continued support through the RET.

## Managing overall costs to electricity users and producers

The costs of the RET are borne by electricity consumers through some additional increase in electricity prices. They are borne also by fossil-fuel generators through lower wholesale prices and reduced market shares. Among consumers, low-income households spend less on domestic power and fuel costs than other households, but their spending represents a larger proportion of their total expenditure.

These considerations were of obvious interest to the Authority even though matters of cost and equity in the electricity market raised issues way beyond the RET and the scope of this review.

### *Options for cost-containment in the Small-scale Renewable Energy Scheme*

*The 'uncapped' nature of the SRES means its costs are also uncapped.*

The SRES has no quantitative cap. Given quantity is unpredictable, there are also unpredictable impacts on electricity prices. There are no mechanisms for the price of certificates to decline automatically in response to falling technology costs or rising electricity prices.



In recent times, SRES has constituted an unexpectedly high proportion of retail electricity prices because of higher than anticipated certificate creation rates. Key factors driving this have either now ceased (generous feed-in tariffs at the state and territory level) or are being phased out (the end date for the Solar Credits multiplier was brought forward by six months to 1 January 2013).

*A mechanism to constrain the costs of the SRES will ensure they remain appropriate and provide predictability to business.*

The Authority considered other measures that could help constrain the future costs of the SRES and deliver greater confidence to participants about the sustainability of their industry.

*There are a range of mechanisms that could be used to constrain the costs of the SRES.*

Measures considered by the Authority to cap the SRES or otherwise limit its impact on electricity prices by controlling either the number of supported installations or the price of certificates, included:

- a gigawatt hour target;
- a small-scale technology percentage cap (capping liability);
- a discounting mechanism;
- lowering the existing price cap; and
- lowering the solar photovoltaic (PV) kilowatt threshold.

*Many review participants expressed concern regarding the Authority's preliminary recommendation for a ministerial power to apply a discount factor.*

The Authority's preliminary view proposed a discount mechanism be applied at the Minister's discretion based on a number of possible considerations, including the payback period falling below ten years, changes in net system costs, and the SRES constituting more than 1.5 per cent of an average electricity bill.

Many industry participants expressed concern with this possible approach. Some strongly supported the concept of discounting but were concerned the proposed method of application could generate too many uncertainties.

*The Authority considers that mechanisms that reduce the risk of a possible rise in installations should be used rather than mechanisms that actively limit the number of installations.*

After further consultation, the Authority is now of the view that possibilities of lowering the SRES capacity threshold for solar PV, reducing deeming as a way of phasing out the SRES, and retaining the ministerial power to lower the clearing house price cap offer the best prospects for balancing cost containment with predictability for scheme participants. These measures, together with the reductions in generous feed-in tariffs and the imminent removal of the Solar Credits multiplier, mean that the prospects of a new surge in SRES costs appear unlikely.

While a gigawatt hour target, a small-scale technology percentage cap or a discounting mechanism might all contain the cost of the SRES, they also require significant regulatory changes and would be likely to generate considerable uncertainty for scheme participants.

A gigawatt hour target or a small-scale technology percentage cap could also create certificate price volatility and 'boom-bust' cycles.

The Authority favours other measures to contain SRES costs which are likely to be more predictable and less disruptive in their impact. Specifically, the Authority recommends a number of measures that would reduce the number of certificates created in the small-scale scheme.

The most likely area for a future boom in installations is solar PV on commercial buildings. Should they remain in the SRES, a boom in installations of these systems could be costly to electricity users generally, especially given that the larger systems involved create more certificates than typical residential systems.

The current capacity limit for solar PV is 100 kilowatts (kW). This is considerably larger than the average size of solar PV systems installed by households, currently at around 2.6 kW.

*The threshold for small-scale PV systems to be included in the SRES should be reduced from 100 kW to, say, 10 kW. Larger systems should be in the LRET, with reduced deeming periods.*

Lowering the capacity limit would still provide an incentive for larger, commercially-installed solar PV, but in the context of the capped LRET scheme. It is envisaged that these systems would be subject to five year deeming, which would encourage better accuracy around deeming arrangements. The Authority recommends lowering the SRES threshold of solar PV units from 100 kW to, say, 10 kW. The Commonwealth Government should conduct further consultation with stakeholders to determine an appropriate threshold so that the bulk of commercial-scale PV systems were included in the LRET at a scale where five year deeming periods (rather than 15) was more appropriate.

This approach would limit potential price rises from the SRES and provide a degree of certainty to the as yet untapped potential for commercial deployment of small-scale systems in Australia.

*Deeming should be used to phase out the scheme.*

The Authority also recommends reduced deeming as a way of phasing out the SRES. Under this approach, small-scale systems would only be provided with certificates for generation up to 2030. The approach has the benefit of providing a clear and graduated reduction in support over time, consistent with the transitional nature of the RET. Under this proposal, 2016 would be the last year in which small-scale systems were provided with 15 years' worth of deemed certificates. In 2017, it would be for 14 years; in 2018, 13 years and so on.

The recommendation would not come into effect until 2017, after the scheduled 2016 legislated review. In that review, the Authority will again be considering, among other things, possible improvements to the SRES. If necessary, the Authority can re-examine this recommendation during that review as part of any broader recommendations regarding the future of the RET in the 2016 policy context.

*If unexpectedly high levels of installations of units under the threshold limit occur, the Minister could exercise the power to lower the price cap as an 'emergency brake'.*

In the event that there was an unexpectedly high level of installations of units under the threshold limit (signalling that the level of subsidy is unnecessarily high), the Minister could exercise the power to lower the price cap (set at \$40 through the clearing house price). While this tool has its drawbacks, it could act as an 'emergency brake' should installations take off again, perhaps driven by falling technology costs or further rises in the Australian dollar. Lowering the price cap has the advantage of being known to scheme participants, who are aware when they invested that it could be exercised. Some of the disadvantages associated with lowering the price cap – such as transitional arrangements for certificates on the transfer list – would be more manageable should the Commonwealth Government adopt the Authority's recommendations regarding the clearing house.

### *Diversity of RET technologies*

*The Authority does not recommend any changes to the RET to promote diversity.*

The RET allows a diverse range of technologies to generate certificates. The current mix of generation capacity reflects the adoption of technologies with relatively low costs. The Authority's view is that this approach should continue, so long as the future mix deployed under the RET does not affect the reliable delivery of electricity within networks.

The RET supports the most efficient technology used. The Authority does not believe the scheme should be used to promote diversity – especially through multipliers, introducing banding or caps – which would increase the cost of the scheme to consumers.

Other policy initiatives, particularly ARENA and the CEFC, are better placed to promote diversity.

### *Providing flexibility and choice*

The Authority makes several recommendations to promote greater flexibility and choice in areas where existing constraints appear to impose avoidable costs.



## *Making partial exemption certificates tradeable*

*Partial exemption certificates should be made 'tradeable'...*

In situations where RET costs are being passed on to emissions-intensive, trade-exposed industries, the Authority recommends that the resultant partial exemption certificates should be tradeable. That is, firms should be able to sell them to any liable party, not just their own electricity supplier. Currently, businesses carrying out eligible activities can apply annually for partial exemption certificates; they are provided as a form of assistance to reduce the cost impact of the RET.

*... to make it more likely that emissions-intensive, trade-exposed businesses will receive a market value for them.*

Partial exemption certificates are provided for the benefit of the recipients, not electricity suppliers: making them tradeable increases the likelihood that the recipient would receive a market value for them to offset actual scheme costs, as intended by the policy.

## *Introduce an opt-in option for large energy users*

*Opt-in liability arrangements would allow large electricity users to better manage their own compliance costs.*

A second area where the Authority recommends greater flexibility and choice is in relation to an opt-in facility for large electricity consumers. Currently, large electricity users are not able to opt-in to manage their own liability under the RET. Opt-in arrangements for large electricity users have been used in other certificate-based trading schemes, including the carbon pricing mechanism and the New South Wales Greenhouse Gas Reduction Scheme.

The Authority considers that allowing large electricity users to manage their own liabilities (if they choose) would improve flexibility and choice.

## *Streamlining administration and compliance costs*

The Authority believes there are opportunities to streamline the administration and compliance costs of the RET and lessen its impact on businesses.

### *Greater alignment between schemes*

*The level of assistance for emissions-intensive, trade-exposed businesses should be reviewed by the Productivity Commission*

The partial exemption framework for emissions-intensive, trade-exposed industries has the same rationale as the Jobs and Competitiveness Program under the carbon pricing mechanism. The Productivity Commission is responsible for reviewing the level of assistance provided under the carbon pricing mechanism.

Given the similarities between the partial exemption framework under the RET and the Jobs and Competitiveness Program, the Authority recommends that they should be reviewed together by the Productivity Commission as part of its broader review of the assistance under the carbon pricing mechanism.

*There is scope to streamline administrative requirements for the partial exemption framework and the Jobs and Competitiveness Program.*

Another area where the Authority suggests that greater administrative streamlining could occur is in relation to the partial exemption framework under the RET. This framework is similar, but not identical to, the Jobs and Competitiveness Program under the carbon pricing mechanism. The Authority recommends greater streamlining of the processes for gathering information and for audits under the two arrangements.

### *Data collection by the Clean Energy Regulator*

The second area where compliance and administrative costs could be reduced relates to the data collected by the Clean Energy Regulator, including information on out-of-pocket expenses for small generation units, and generation returns.

At present the Minister is required to consider the amount of out-of-pocket expenses that system owners contribute when reducing the clearing house price; the Regulator currently collects this information.

*Current arrangements to collect information on out-of-pocket expenses should be removed...*

Information on what customers are actually paying for small-scale systems is likely to be useful. It is questionable, however, whether the current arrangements create either an accurate data source or a cost-effective one.

... and be replaced by surveys.

The Authority's recommendation is that the requirement to provide data on the out-of-pocket expense for a small generation unit installation should be removed from the *REE Act*, reducing overall administration and compliance costs. The Regulator should continue to gather information on out-of-pocket expenses, but should do so through appropriate surveys.

*The requirement to submit a solar water heater and small generation unit return should be removed from the REE Act.*

The *REE Act* requires any registered person creating more than 250 certificates in a calendar year to lodge a solar water heater and small generation unit return to the Regulator.

The solar water heater and small generation unit return is intended to provide the Regulator with quantitative and qualitative data. Most of the information submitted, however, is already available to the Clean Energy Regulator. The Authority recommends that the legislative requirement to produce a return should be removed: the administrative costs are not considered to be justified, given the absence of any clear benefit from collecting the information.

### *Maintain one accreditation body*

*The Authority considered the benefits of opening up the accreditation of small-scale technology installers to more than one body.*

The final recommendation in respect of administration and compliance cost relates to the accreditation of small-scale technology installers.

Currently, the Clean Energy Council is the only organisation that can accredit small generation unit installers for the purpose of creating certificates. In its discussion paper, the Authority made the preliminary recommendation that the accreditation of designers and installers of small generation units be open to certified accreditation bodies beyond the Clean Energy Council. The rationale for this draft recommendation was that more accreditation bodies might provide greater opportunity for installers and products to become certified. This could also increase services and reduce costs for industry.

*While there are inherent benefits to competition, in this case there are risks that it could lead to poor outcomes for customers.*

There is a risk, however, that competition between accreditation organisations could encourage poor quality control and dilute public confidence in the accreditation system. It would also increase the costs of the Clean Energy Regulator. To manage this risk, the Commonwealth Government would need to develop and implement detailed provisions to ensure that the quality of products and installation is maintained. There are also issues in that the Clean Energy Regulator does not have legislative responsibility for electrical safety, which resides with the states and territories.

*On balance, the Authority recommends maintaining one accreditation body.*

On further investigation, at this time, the Authority considers the potential benefits of allowing multiple bodies to accredit installers and products do not outweigh the costs associated with the additional administrative requirements necessary to properly address these risks.

### *Next steps*

The Authority has provided the final report to the Minister for Climate Change and Energy Efficiency for the consideration of the Commonwealth Government. Under the *REE Act*, the report must be tabled in the Commonwealth Parliament within 15 sitting days of the Minister receiving it.

The Commonwealth Government must respond to the Authority's recommendations within six months of receiving the final report.