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Renewable and Distributed Generation Working Group Secretariat  
Ministerial Council on Energy  
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Australian Sugar Milling Council Pty Limited  
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Dear Sir / Madam

**Re: Impediments to the Uptake of Renewable and Distributed Energy**

The Australian Sugar Milling Council (ASMC) is an industry body that represents all of the 10 sugar milling companies that operate Queensland's 24 sugar mills. In addition to producing approximately 5 million tonnes of raw sugar worth in excess of \$1.5 billion per annum (85% of which is exported), sugar mills are also the largest generator of renewable electricity from biomass in Australia.

Bagasse fired generation produces in excess of 1100 GWh of renewable electricity (600 GWh of which is exported from the sugar mill sites into Queensland's transmission or distribution networks). These generation facilities are spread over a 2200km strip throughout Queensland regional coastal communities. Sugar mills produce in excess of 300,000 RECs each year accounting for approximately 10% of total RECs produced to date.

Queensland's bagasse and cane trash resources are very significantly underutilised in relation to the potential generation from these resources and many sugar milling companies are actively seeking viable projects to more effectively utilise this resource. In the current policy environment and existing electricity market, it is unlikely that there will be further significant investment in renewable energy from bagasse and any potential benefits from this renewable and distributed energy resource will remain unrealised.

ASMC would like to thank you for the opportunity to comment on the discussion paper released by the Ministerial Council on Energy entitled *Impediments to the Uptake of Renewable and Distributed Energy* and make the following comments:

**Issue 3.1 - Generation Costs**

The paper correctly identifies that the 'most significant barrier to the uptake of R&DG is the relatively higher generation costs for renewable energy compared with conventional generation technologies'.

The MRET program has been very successful at encouraging investment in renewable generation with minimal impact on electricity cost. Whilst there are a number of Federal,

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State and Territory programs, that have been put in place to encourage renewable generation, and these have been effective in reducing the cost of this technology, the principle Federal MRET program (targeting a modest 2% increase over a 1997 baseline) has been effectively met. State based programs are being implemented throughout Australia with apparently little coordination or integration between states.

Whilst the cost of generation from conventional coal technologies is currently lower than the cost of renewable and distributed generation, there is no price signal that reflects the future cost of carbon released in the combustion of fossil fuels, nor the significant effect that this release is and will increasingly have on society. The existence of such a price signal will make renewable generation more cost competitive.

For there to be further significant investment in renewable generation in Australia, it is essential that there be an increase in the MRET target and an extension of the end-date for the scheme or a comparable alternative policy mechanism to encourage this investment. Without such a mechanism, the majority of other issues listed in the discussion paper (whilst important) will not have a significant impact in encouraging renewable and distributed generation.

#### **Issue 4.1 – Network Pricing and Price Regulation**

ASMC concurs with comments relating to the difficulty that distributed generators have in negotiating reasonable outcomes that would reward new and existing distributed generation for avoided network augmentation costs and for reduced network losses. It would be of significant benefit for these network pricing issues to be reviewed with a view to appropriate pricing incentives.

##### **Issue 4.2.1 – Network Connection Costs**

Network connection costs have been a significant factor in decisions affecting renewable and distributed generation investment in the sugar industry. The application of costs is not necessarily transparent and there is little scope for appeal of decisions relating to the costs imposed. The requirement to provide in many cases significant project security to network service providers is a major impediment to smaller scale renewable and distributed generation projects.

There would be value in reviewing the National Electricity Rules to provide further guidance to ensure that network service providers use fair and reasonable guidelines for the application of costs associated with network connections including network augmentation. These guidelines should have the effect of encouraging investment in renewable and distributed generation.

##### **Issue 4.2.2 – Rewarding the Provision of Network Services**

Sugar milling generators have experienced difficulty in negotiating any value for the provision of network services and in particular the generation as an alternative for

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view to appropriate pricing incentives.


network augmentation. Generators have been able to secure an energy based payment for avoided TUoS but have not been able to negotiate a capacity based payment.

Some aspects relating to network support are not able to be negotiated until projects have been committed. As a result, any potential network support payments can not be included in project revenue in the economic justification for potential projects.

Encouraging through some effective mechanism the recognition of value for network support resulting from renewable and distributed generation will assist potential generators to negotiate outcomes that improve the viability of potential projects.

ASMC is pleased to be able to provide a submission in relation to this discussion paper. The sugar industry is currently a significant source of renewable energy and has the potential to play an even greater role in the generation of renewable energy from biomass. Please do not hesitate to contact Ian O'Hara (07) 3231 5007 for further information or if this office can assist in the review of impediments relating to the development of renewable and distributed generation.

Yours faithfully

A handwritten signature in cursive script, appearing to read 'JM Craigie', written in black ink.

JM Craigie  
GENERAL MANAGER