



► Failure stirs debate on cost of RET

Wind and solar can't handle heat

Angela Macdonald-Smith

More than \$2 billion of subsidised investment in over 2 million rooftop solar systems contributed less than 5 per cent of peak power demand in Victoria and South Australia during the worst of this week's heatwave.

A lack of wind in South Australia during the extreme heat on Wednesday meant the state's wind farms did almost nothing to stop wholesale power prices surging past \$13,000 a megawatt hour, several hundred times normal prices.

The inability of wind and solar to meet demand during the heatwave in southern Australia has fuelled debate over whether the cost of renewable energy is outweighing the benefit ahead of a review of the government's 2020 renewable energy target.

"The risk of high peak prices and high wholesale price volatility has not been eliminated by solar," said Cameron O'Reilly, the chief executive of the Energy Retailers Association.

"These past policies were mainly industry development initiatives, a very expensive way to reduce carbon, and largely have led to individual benefit and no greater societal benefit."

The mandated Renewable Energy Target, which requires investment in wind, solar and other renewable energy sources, has drawn \$18.5 billion into Australia's energy grid, according to the Clean Energy Council.

Many Coalition MPs want the government to dump or water down the renewable energy target. Prime Minister Tony Abbott said last week the gov-

ernment would have a "good, long, hard look" at the RET with the aim of "doing what we can go get power prices down."

The government's most senior business adviser, Maurice Newman, this month called for the RET to be ditched alongside the carbon tax, arguing it has destroyed industrial competitiveness. National Senator Ron Boswell also wants the RET scrapped.

But Environment Minister Greg Hunt on Friday said the government's commitment to the 20 per cent target "remains unchanged".

Continued p4

► **More reports p4**

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► **Perspective** Geoff Kitney p14

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► **Perspective** Jonathan Barrett p16

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► **Opinion** Keith Orchison p55





From page 1 Wind and solar can't handle heat

He said the government would carry out the review "in a thorough and consultative way".

"The best thing we can do right now to alleviate the pressure on Australia's manufacturing sector is scrap the carbon tax," Mr Hunt said.

The Clean Energy Council estimates another \$18 billion could flow into the industry if the government keeps the target. Some 30,000 new jobs, many in rural areas, are at stake, it says.

A spokesman for Industry Minister Ian Macfarlane said the government was reviewing energy sector policies and making changes to lower costs for households and industry.

"The government will review the RET in 2014, including the cost of the scheme to households and businesses and this important process should be allowed to run its course," he said.

The terms of reference for the RET review were expected before Christmas but are understood to be still more than a week away.

Australian Solar Council chief executive John Grimes says solar met 9.4 per cent of power demand in South Australia on Wednesday.

"Solar is absolutely pulling its weight on days like these," he said.

The Clean Energy Council blames the mid-week surge in wholesale prices on an unexpected shutdown of **AGL Energy's** Loy Yang A coal plant in Victoria and says clean energy plants were a big help in helping the power system cope with near-record demand.

Once source said the delay was due

to a legislative requirement that the review is carried out by the Climate Change Authority, a body slated for closure, while the government wants the Productivity Commission or another department to take control.

Electricity retailers calculate the cost to consumers from the RET has been large. **Origin Energy** puts it at billions of dollars. It calculates that the cost of cutting carbon emissions through the small-scale renewable energy scheme, essentially involving rooftop solar systems, is a substantial \$100 per tonne, well above the nominal price of carbon.

The cost of renewable energy is inflated by the mismatch between generation and peak demand, and by increased network costs.

While solar power reduces peak demand in the summer and is better correlated to summer peaks in consumption than wind, it helps little with winter peak demand. Also, even in summer, solar photovoltaic systems pump out most power from midday to mid-afternoon and are typically winding down by the late afternoon peak in consumption.

The Australian Energy Market Operator says by the 3pm to 5pm peak in Victoria and South Australia, solar output is running at just 30 per cent of capacity.

Origin also argues that more intermittent energy such as wind and solar require increased investment in managing volatility of supply.

Managing director **Grant King** says wind and solar are "free-riding" on the grid, and that households with solar panels are not paying their share of network costs, placing an unfair burden on those without.

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