

[Received by email]

Renewable Energy Certificates ('RECs')

Rheem supports the RECS scheme as it is an important incentive that helps make solar water heating affordable to many families. It is a national scheme that allows a person buying a solar unit to create a 'credit' - say 30 RECS, worth \$45 per REC – when they install a solar water heater.

Under the scheme, Rheem gets certificates back from the consumer, pays the consumer the value of the RECS, then has to sell them on the open market. Consumers return about 60,000 certificates a month.

It is a complex scheme with different climate zones, with different levels of credit, and is hard for stakeholders to understand. There are **substantial administrative costs** associated with RECS for organisations that must deal with them. We have **4 or 5 people full time** on that. 12 months ago, a certificate was worth \$14, it is now \$47 (\$53 mid June 2008) – this price is set by the market, though it is driven by the federal govt **MRET** scheme.

At one point Rheem went to the futures market – ie undertook speculation - just in order to sell a water heater and guarantee a market for the RECS we were committing to buy from our customers. In first years of this scheme, Rheem had losses of over a million in one year.

There are questions of how **tax and GST** get treated in that. It turns out that GST does apply – it is a very complex process, selling to a middle man, and needing a serial number off a unit at installation. This complexity is baggage due to the RECs regulation, that has nothing do with the industry itself. 5 years after the fact we now think we understand the tax requirements.

The problems we are experiencing ,may be due to the way that the legislation was drafted in the first place. Originally it was supposed to have been a small number of players generating RECs– however the inclusion of solar water heaters in the scheme created a situation where each household generates RECS. The way it was drafted just couldn't deal with the huge change in scale. The regulations contain an exhaustive list of 5 - 10,000 types or variations (type of tank etc) of solar water heaters that are compliant. This list needs to go to parliament to be endorsed each time it changes (This is done through the Office of Renewable Energy Regulation).