

16 May 2014

Mr Dick Warbuton

Chairman  
Renewable Energy Target Review Panel  
Department of Prime Minister and Cabinet  
Canberra

Dear Mr Warbuton

The Energy Economics and Management Group (EEMG) within the School of Economics at University of Queensland is pleased to provide a submission in response to the Expert Panel tasked with reviewing the Renewable Energy Target. EEMG has recently concluded an in-depth analysis of the impact of wind generation on the marginal costs of generation across the National Electricity Market for the period 2007 to 2012. The findings from this study indicate that the inclusion of wind generation in the mix of generators has resulted in cost savings for wholesale generation.

The EEMG concludes that the unintended consequence of the renewable energy target, wholesale cost reductions, has funded the costs associated with the target, namely the purchase of large-scale generation certificates. Since the scheme appears to be self-funding, it would be logical to retain the Renewable Energy Target at its current levels so that greater diversity of fuel sources can contribute to a more robust, resilient and affordable electricity system.

With little evidence of the wholesale cost savings being passed on to consumers, the EEMG suggests that the Review Panel might consider investigating the reasons for, and possible solutions to, a failure by retailers to pass on savings to customers.

Thank you for the opportunity to communicate our findings.

Yours sincerely

Professor John Foster

Energy Economics and Management Group Director

