



EnergyAustralia

LIGHT THE WAY

22 March 2021

Solar feed-in tariff benchmarks
Independent Pricing and Regulatory Tribunal
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Dear Tribunal Members

Issues paper - Approach to setting solar feed-in tariff benchmarks 2021-22 to 2023-24 – February 2021

EnergyAustralia is one of Australia's largest energy companies with around 2.5 million electricity and gas accounts across eastern Australia. We also own, operate and contract a diversified energy generation portfolio across Australia, including coal, gas, battery storage, demand response, wind and solar assets, with control of over 4,500MW of generation capacity.

We appreciate the opportunity to respond to IPART's issues paper on its approach to setting benchmark feed-in tariffs (FiT) in New South Wales.

We support IPART reviewing the value of its benchmarking as a way to assist customers understand the value of energy exported back into the grid, and what this means for their investments in distributed energy technologies and related retailer offerings. We believe distributed solar PV should be encouraged where customers are using their own generation, as this is most financially beneficial for them and better for the market overall.

Current declines in wholesale costs are the result of an influx of low and zero marginal cost renewable generation, which is expected to continue. This is particularly so in NSW where the government has recently committed to investment in 12GW of new wind and solar PV by 2030.¹ Issues of minimum demand are now arising in South Australia and Victoria due to the prevalence of significant behind the meter solar PV, which further depresses wholesale market prices during the middle of the day. Reforms are in train or have been recently introduced for distributed solar PV to have the capability to be curtailed by AEMO to manage system stability issues. Rule change proposals have been put to the AEMC involving changes to how solar customers pay for and access the network, including possible charging for export. Distribution businesses are moving ahead with operational and planning requirements that could materially alter customers' ability to export PV in an unrestricted manner.

In our experience, most customers are not aware of these issues. Our customers are raising concerns about expected declines in what they get paid for solar PV export but

¹ <https://energy.nsw.gov.au/government-and-regulation/electricity-infrastructure-roadmap>

show almost no awareness of reforms underway that will affect their access to the network. Through our direct interactions we have observed a range of customer perceptions regarding FiTs:

- Generally, they consider it fair they be paid similarly to what people are charged by retailers for importing energy.
- Prices for many other commodities and services are relatively stable so there is an expectation that FiTs should also be stable. This could be anchored in assumptions people make when they first get solar installed on the basis of a firm expected payback period or from FiT credits seen on bills at the time of investment.
- There may be an expectation that increasing solar penetration will make it more valuable, meaning that FiTs will increase.
- Low emissions technologies need to be encouraged and so FiTs should be paid above what the exports are worth to encourage more of this (and this is legally required of retailers under the Victorian FiT regulations)
- Customers are naturally unaware of how much wholesale electricity prices can fluctuate, given this price risk is managed by retailers, and so are often surprised and sceptical about FiT price changes and the drivers for this.
- Customers generally do not have access to the data they need (or needed) to make decisions to invest in solar PV.
- Solar installers may be upselling customers to larger capacity systems that are not in customers' interests.

Public comments on the ESC's recent draft minimum FiT determination² reflect some of these sentiments.

Overall there is a growing reputational risk for retailers and the wider sector as the value of solar exports declines over the next several years. Meanwhile, some jurisdictional governments are championing higher rates of solar PV installation³, including via offering subsidies, thereby encouraging customers to contribute to sectoral decarbonisation and reduce their energy bills, but with unrealistic expectations of the direct financial benefit they should receive from retailers. This is in an environment where retailers have been, and continue to be, painted as dishonest⁴ and where customer trust is accordingly low. We therefore require independent and, ideally, government-coordinated, assistance in informing customers of FiT reductions.

As an independent regulator, IPART has an important role to play in ensuring NSW customers are reliably informed of market developments and publishing other data that enables customers to benefit from engaging with retailer offerings. IPART is also able to coordinate with its jurisdictional counterparts and other agencies to ensure customers

² <https://www.esc.vic.gov.au/electricity-and-gas/prices-tariffs-and-benchmarks/minimum-feed-tariff/minimum-feed-tariff-review-2021-22#tabs-container2>

³ <https://www.solar.vic.gov.au/victorians-embracing-solar-record-levels>

⁴ <https://www.minister.industry.gov.au/ministers/taylor/media-releases/keeping-energy-companies-honest>

are receiving a consistent set of messages from different sources, which will be more credibly received. IPART already has customer-focussed communications on its website⁵ and these could be revised and promoted to address the aforementioned contemporary issues.

The ESC has published educational materials⁶ in the wake of its recent minimum FiT determination and these can be built upon too. Notably, the ESC's materials go some way to explaining the relationship between FiTs and wholesale prices. In this context, we echo comments made by consumer representatives at IPART's recent public forum that customers need to be set expectations for FiT levels into the medium to long term, as well as on how pricing profiles change on a daily and seasonal basis, to better inform their decisions around installing and using distributed energy technologies.

In summary, our recommendations for IPART are:

- it should collaborate with customer representatives, retailers and regulatory counterparts in other jurisdictions to raise customer awareness of what FiTs are intended to represent and the benefits flowing from solar PV generally in terms of avoided grid consumption versus FiT revenues
- it should publish information on FiT price trends over the medium term (matching the life of distributed energy investments), including how the value of solar and wholesale prices vary over the course of the day or seasons
- information on options in the market for the customer to manage their own energy use and costs, including combinations of solar PV and batteries, should also be readily available from independent sources.

If you would like to discuss this submission, please contact me on [REDACTED]

Regards

Lawrence Irlam

Regulatory Affairs Leader (acting)

⁵ <https://www.ipart.nsw.gov.au/Home/Industries/Energy/Retail-prices/Solar-Energy>

⁶ <https://www.esc.vic.gov.au/media-centre/why-minimum-feed-tariff-going-down-2021-22>; <https://www.esc.vic.gov.au/media-centre/difference-between-minimum-feed-tariff-and-retail-energy-prices>; <https://www.esc.vic.gov.au/media-centre/relationship-between-solar-panels-and-minimum-feed-tariff>