

IPART's Terms of Reference state that the recommended benchmark range:

- \* should not lead to solar feed-in tariffs that contribute to higher retail electricity prices, and
- \* should operate in a way that supports a competitive electricity market in NSW.

The current proposals do not achieve this aim because they ignore the contribution of solar exports to reducing the need for additional costly network infrastructure. The following changes are therefore recommended:

**1) Include the contribution of solar in reducing the need for additional costly network infrastructure**

Page 14 of the issues paper states that "*the metering and settlement arrangements in the NEM mean that retailers incur network costs (which make up around half of retailers' costs) and green scheme costs for every kilowatt of electricity they supply to a customer, regardless of where and how the electricity was generated.*"

This is an unfair arrangement that should be changed. IPART should therefore provide a benchmark estimate for the savings in network costs and make strong recommendations that network operators pass on the savings to retailers. This will strengthen the scrutiny of networks and focus attention on the role of demand management, and use of surplus solar, in constraining network prices to ensure that overall prices are as fair and as competitive as possible.

Calling networks operators to account is the first step in achieving fair prices for network use, so IPART should not shirk from this important task that will help keep prices low for all consumers.

**2) Note that the inclusion of network benefits in the recommended benchmark for solar will help reduce grid defections that would otherwise contribute to higher retail prices**

If households with solar chose to disconnect from the grid, the burden of network costs will fall on a smaller number of consumers, resulting in increased prices for all remaining users, contrary to IPART's terms of reference listed above. The best way to solve this is for IPART to include network benefits in the recommended benchmark and create the expectation that networks will pass on the savings in avoided infrastructure. A fair exports price for solar will encourage households to remain connected to the grid and help keep prices low for all consumers.