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Dr Peter Boxall AO
Chair
Independent Pricing and Regulatory Tribunal
Level 15, 2-24 Rawson Place
SYDNEY NSW 2000

5 June 2018

Submission via email

Dear Dr Boxall,

Solar Feed-in Tariffs 2018-19 – Draft Report

AGL Energy welcomes the opportunity to comment on the Independent Pricing and Regulatory Tribunal (IPART)'s *Solar feed-in tariffs – The value of electricity from small-scale solar PV panels in 2018-19 – Draft Report, May 2018 (Draft Report)*.

AGL notes that the key issues raised in the public forum relate to the 40-day averaging of contract prices used in IPART's methodology, and time-dependent tariffs.

In the Draft Report, IPART has assessed the all-time benchmark feed-in tariff to be 7.5 c/kWh. This is a significant reduction from 12.8 c/kWh for 2017/18, reflecting the volatility in using the 40-day average and reflection of the shift in solar profile. If a 12-month average is used, there would be no material change (possible a slight increase) in the average wholesale value¹. However, the value for 2017/18 would only be about 8 c/kWh² instead of 12.8 c/kWh.

As in previous determinations of regulated retail electricity prices in NSW, AGL continues to have concerns with the application of the 40-day average approach due to its potential volatility. However, AGL considers that there is merit in maintaining some consistency from one year to another - the 40-day average has been used since 2014. In AGL's view, it is also unnecessary to directly link solar feed-in tariffs with other retail price changes as many other factors are taken into account when setting general retail price changes. In addition, the solar export profile is different from the customer demand profile and retailers have different approaches to hedging including owning generation.

In the Draft Report, as in 2017, IPART has also provided forecast wholesale costs using different averaging periods from daily to up to 12 months. This is useful information and AGL encourages IPART to continue to assess and provide these.

In relation to the time dependent tariff, AGL notes that many electricity customers in NSW continue to be supplied under flat tariffs and the provision of more complex solar feed-in tariffs will result in higher cost to serve. Time dependent tariffs will become more relevant as the battery market grows but this market is still

¹ Compare Figure 5.1 in Draft Report (May 2018) with Figure 3.1 in Final Report (June 2017)

² Final Report (June 2017), IPART, Figure 3.1, p 14



relatively small. As with the concerns about the 40-day average, the setting of these time dependent tariffs will vary depending on the averaging period and retailers could have alternative hedging strategies. AGL will continue to offer only a single all-time solar feed-in tariffs as it is simple to understand and does not add complexity and further costs to retail operations.

The benchmark range provides a useful reference for customers. It is also important that retailers are not discouraged from developing new products. Recently, AGL launched a premium solar product, AGL Solar Savers, which offers a feed-in tariff of 20 c/kWh. AGL is also currently considering the standard solar feed-in tariffs which will apply from 1 July 2018.

Should you have any questions in relation to this submission, please contact Meng Goh, Senior Manager Regulatory Strategy, at [REDACTED].

Yours sincerely,

[REDACTED]

Elizabeth Molyneux
General Manager, Energy Market Regulation