



EnergyAustralia

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Solar feed-in tariff benchmarks
Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop
NSW 1240

Lodged electronically

EnergyAustralia Pty Ltd

ABN 99 086 014 968
Level 33
385 Bourke Street
Melbourne Victoria 3000

Phone +61 3 8628 1000
Facsimile +61 3 8628 1050

enq@energyaustralia.com.au
energyaustralia.com.au

Solar Feed-in Tariffs Draft Report May 2018

EnergyAustralia is pleased to make this submission to IPART's Draft Report: Solar feed-in tariffs 2018-19 (draft FiT Report). We are one of Australia's largest energy companies, with over 2.6 million household and business customer accounts in NSW, Victoria, Queensland, South Australia and the Australian Capital Territory. We also own and operate a multi-billion dollar portfolio of energy generation facilities across Australia, including coal, gas and wind assets with control of over 4,500MW of generation in the National Electricity Market.

EnergyAustralia agrees, for the most part, with the IPART's draft decisions on benchmarks for solar feed-in tariffs for 2018-19. We provided feedback to IPART about the Draft Report at the IPART public forum on 15 May 2018. In this submission we expand on some of the points discussed at this forum.

At EnergyAustralia, we value our solar customers as much as we do our non-solar customers, and we strongly believe solar customers should be paid fairly for their excess generation. However, such payments to solar customers should not be to the detriment or cost of non-solar customers. We support IPART's assessment of the nature of the financial value of customers' solar exports to retailers.¹

We also agree with IPART's analysis that the NSW electricity retail market is becoming increasingly competitive. This provides opportunities for existing retailers and new entrants and benefits for customers in terms of being able to access a price that suits them. The most tangible benefit of greater competition for many customers will be competitive market offers that are tailored to customers' preferences. As smart meters continue to be rolled out and technology improvements are made, the range products and services continues to increase.

Forecast average wholesale electricity price

We support IPART's use of a period-averaged calculation of contract prices on ASX Energy data. However, we maintain our longstanding position that the calculation of the benchmark feed-in prices should be based on a much longer period than 40 days. Calculating the average

¹ IPART, "Solar feed-in tariffs, the value of electricity from small-scale solar panels in 2018-19 Draft Report" May 2018, p7-10.

contract prices over a longer period will also help to provide more stability to consumers as market sentiment and market events can strongly impact contract prices over the short term.

In our view, a six-month period for assessing ASX Energy NSW contract prices would be preferable to 40 days. The ASX Energy contract prices are used to predict spot prices for the upcoming financial year. Market sentiment and therefore contract prices for the 2018-19 year clearly change frequently and a longer lead time will provide less volatility in the FiT benchmark and, under most market conditions, we expect that it would provide a more accurate estimate of the value that retailers would typically place on solar exports from small customers in NSW. Given that this is not trying to replicate a hedging approach and is still a relatively short period, we suggest that a simple average is appropriate.

We note IPART's reasons² for rejecting retailers concerns over the 40-day average approach. While we generally agree that market decisions should be based on the current rather than the historic value as assets, we believe for the FiT that it's better to take a longer-term view of contract prices. This makes it consistent with the approach that retailers take in hedging their retail loads. We recognise that forecasting the wholesale component of a feed-in price is in some ways quite different from forecasting a price for retail load. That is, solar exports are likely to be valued at the prevailing spot price and are not hedged as is retail load. However, it is reasonable for customers to expect some similarity and predictability in the values that they pay for wholesale electricity and what they receive as a feed-in tariff.

Annual bills and feed-in tariffs

We agree that customers should be aware that the level of the feed-in tariff included in an offer is not the only factor they should consider when making a decision about which retailer to choose.³ When comparing feed-in tariffs that are available in the market,⁴ customers should ensure that they also compare base rates, discounts on usage rates and conditions imposed based on the capacity of the panels. EnergyAustralia offers our solar customers exactly the same usage rates that we offer to our non-solar customers. This is not the case for all retailers. Where customers see very high feed-in prices, they should carefully review the entire offer to ensure it will provide the lowest overall bill.

Conclusion

EnergyAustralia believes that IPART have taken a sensible and measured approach to development of a benchmark guidance on the financial value of electricity exported by solar customers in NSW. The only reservation we have is in relation to the use of the 40-day average in calculating the wholesale cost of energy. Instead we believe a more accurate and appropriate value would result from using a six-month averaging period.

Should you require further information about this topic please call Samantha Nunan on [REDACTED].

Yours sincerely

Melinda Green
Industry Regulation Leader

² IPART, "Solar feed-in tariffs, the value of electricity form small-scale solar panels in 2018-19 Draft Report" May 2018, p46.

³ IPART, "Solar feed-in tariffs, the value of electricity form small-scale solar panels in 2018-19 Draft Report" May 2018, p21.

⁴ <https://www.solarchoice.net.au/blog/which-electricity-retailer-is-giving-the-best-solar-feed-in-tariff/>