



## Sunny Shire Submission – IPART 2017-18 Solar FiT Benchmark

Sunny Shire is a volunteer-based community energy group in the Sutherland Shire, promoting the greater use of renewable energy to save money and increase energy independence and community resilience. Sunny Shire is a sub-campaign of the Sutherland Shire Environment Centre and our activities include projects, events and advocacy via its website and social media. More info at [www.sunnyshire.org.au](http://www.sunnyshire.org.au)

Since commencing in June 2018, our Bulk Buys have seen 82 Sutherland Shire households purchase solar adding to 531kW, with another 23 committed and awaiting installation. Sutherland Shire has a population of over 200,000 with great potential for and interest in solar. We provide an independent source of information and advice to Shire households considering solar and have excellent experience with dealing with their queries when considering the investment.

### **1. Do you agree with our overall approach to setting a benchmark range for solar feed-in tariffs? If not, why not?**

When households consider solar, they do considerable research and consultation to assess the potential savings they will get for their investment. A major challenge is the uncertainty of these future savings, with a considerable part of this being the solar Feed-in-Tariffs.

**Recommendation 1:** Solar FiTs in NSW should have longer benchmarks from IPART or the NSW Government, of years, with guidance after. Not just year by year.

**Recommendation 2:** Solar FiT benchmarking should be done earlier, so there is more time for retailers to signal their FiTs for the following financial year.

### **2. What is the best way of setting a benchmark that reflects the average value of solar exports across a day? How should a benchmark range be set to reflect the value of solar exports at different times across the day?**

It is fair to assess FiTs via the value of exported solar, so it reflects a fair market price.

There are many additional values of exported solar, beyond the wholesale market price, solar multiplier, AEMO fees and network losses, including:

1. Transmission and Distribution usage
2. Requirement for future T&D network investment
3. Margin Loss Factors
4. Social Cost of Carbon

**Recommendation 3:** Solar FiT benchmarking should take into account more factors to assess the value of exported solar, including a medium to long term view of avoiding future high prices

**3. Do you agree with our existing approach to forecast average wholesale electricity spot prices using a 40-day average of ASX baseload electricity contract prices and assuming a contract premium of 5%? If not, please provide evidence to support your views.**

While using ASX baseload futures is a way of calculating a number, it is not effective at meeting the needs of NSW households and business electricity customers' medium and long-term interests.

Rooftop solar is already reducing wholesale electricity prices. Feed-in-Tariffs should also reflect this impact, and also take into account future high prices when Liddell closure happens in 2022, if more investment in energy generation does not occur. We have already see the impact of the Hazelwood Power Station closure and considering NSW imports approximately 10% of its electricity from interstate, power prices could increase even more significantly in NSW.

**Recommendation 4:** FiT benchmarking calculations should take into account the cost to NSW electricity customers if investment in more solar does not occur in preparation for closure of coal power stations

**4. Do you agree with our preliminary view that historical data provides the best source of information on future patterns of wholesale electricity prices?**

Considering our electricity generation is changing so rapidly, with many new wind and solar farms coming online in the next 24 months, closure of 2 power stations and scheduled closure of another, historical data may provide a perverse view of wholesale electricity patterns

**5. How much historical data should we account for when estimating solar multipliers, and which point in the solar multiplier distribution should we use?**

Solar generates during the day when generally businesses need electricity. This is shown by a current solar multiplier greater than 100%. If much more solar is built, the multiplier may reduce to below 100%, this is not because it is generating when we don't need electricity, but because solar is becoming abundant.

The NSW grid needs electricity daily, solar provides this. Coupled with hydro, battery storage, pumped hydro and hot water demand management, solar is an asset to the grid and meeting NSW electricity needs. NSW does not currently meet its own electricity needs

on an annual basis without importing electricity from inter-state. Solar should not be penalised in the future if more solar is built, as solar is needed to meet NSW demands.

**6. What is the minimum number of years that we should consider using to incorporate the Essential and Endeavour solar export data?**

When solar is dispersed over a wide geographic area, it provides more consistent daily power, and also meets more morning and evening demand. Therefore, it is important to bring Endeavour and Essential energy data into FiT calculations as soon as possible. So, a 1 year minimum appears preferable.

**7. Are there any other improvements we can make to our approach for calculating the wholesale market value of solar exports?**

The supply and demand balance in NSW is tight. It is reliant on a few large generators and has little contingency if something goes wrong. NSW needs new generation urgently. In February, Victoria and Queensland have enough renewables under construction at the moment to add 7.3 per cent and 6.4 per cent new supply respectively. NSW only has 4.5 per cent.

We have seen the impact on pricing by the sudden closure of the Hazelwood Power Station. Six months' notice is not enough time for the market to respond through investment in new generation, which takes one to two years, minimum, before the new supply comes online. There is also the chance that one of our coal power stations could suddenly go out of action. They were never built to run this hard for this long, and their operators are doing an incredible job to keep them going.

Investing in solar is a long-term decision, with some risks. Households have no ability to agree long-term rates with their retailer, to get certainty of their savings and reduce the risk of their investment. Their savings via solar can go from large to small, based on pricing set by their retailers and IPART.

We therefore recommend:

1. Solar FiTs in NSW should have longer benchmarks from IPART or the NSW Government, of years, with guidance after. Not just year by year.
2. Solar FiT benchmarking should be done earlier, so there is more time for retailers to signal their FiTs for the following financial year.
3. Solar FiT benchmarking should take into account more factors to assess the value of exported solar, including a medium to long term view of avoiding future high prices

Regards



Jonathan Prendergast  
Co-Founder – Sunny Shire

Note: Views are of the author only and do not represent the views of Sunny Shire, its partners or stakeholders