

24 April 2018

Jessica Robinson
Director, Pricing
Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop NSW 1240



Dear Ms Robinson,

Submission to IPART issues paper on 2018-19 solar feed-in tariffs

The Public Interest Advocacy Centre (PIAC) is an independent, non-profit legal centre based in New South Wales. Established in 1982, PIAC tackles systemic issues that have a significant impact upon disadvantaged and marginalised people. We ensure basic rights are enjoyed across the community through litigation, public policy development, communication and training. The Energy + Water Consumers' Advocacy Program represents the interests of low-income and other residential consumers, developing policy and advocating in energy and water markets.

PIAC welcomes the opportunity to respond to the Independent Pricing and Regulatory Tribunal's (IPART) Issues Paper.

PIAC has a long-standing interest in the setting of IPART's solar feed-in tariff benchmarks, having made submissions to a number of reviews over recent years.

PIAC is concerned with creating a feed-in tariff system that is both fair for individuals and conducive to creating efficient market. To this end, PIAC's previous submissions have largely dealt with two issues:

- Ensuring that IPART's feed-in tariff benchmarks accurately reflect the value of solar electricity exports; and
- Ensuring that IPART's feed-in tariff benchmarks are actually reflected in retail tariff offerings.

PIAC continues to be concerned about the first of these matters, and considers both again in this submission.

Time-variant pricing

PIAC considers that time-variant feed-in tariffs can incentivise investment decisions and behaviours that benefit all consumers (not just solar customers) by encouraging consumption, generation, import, export, and storage of energy in a manner that supports the efficiency of the energy system.

To that end, the design of time-variant feed-in tariffs should

- reflect the wholesale, transmission and distribution benefits of distributed energy;
- be supported by the availability of voluntary cost reflective network tariffs with all NSW distribution networks;
- align the time intervals with those of consumption tariffs where it is practical, and not inefficient, to do so. For example, if a peak period consumption tariff starts at 4:00pm on weekdays, it may be preferable to align a change in Feed-in tariff with this time rather than an hour earlier or later in the day, or on weekends; and

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- promote the efficient deployment and use of batteries, particularly to address localised distribution system constraints and regional transmission and wholesale peak demand. Optimising battery operation in this way entails pricing structures that reflect the value to networks and the market at specific times and/or locations, as well as the provision of products and services that support dynamic response to peak demand with some degree of firmness of response.

Market monitoring

PIAC accepts that a regulated minimum for feed-in tariffs may not be required at this time, but stresses that retail feed-in tariff offerings must be monitored to ensure a reasonable value is passed to consumers.

There remain commercial incentives for retailers to not pass on the full value of distributed energy to customers, including that retailers are largely financially or physically hedged against full exposure to spot market prices. As a result, the broader market and social benefit of energy from solar systems is likely to exceed the value to retailers. For similar reasons, it may simply not be in their interest to promote entry into the market of distributed generators, such as solar PV customers, through fully benefit-reflective feed-in tariffs.

PIAC recommends that IPART and the NSW Government monitor the retail market to ensure that

- feed-in tariffs continue to align with IPART's benchmark range;
- solar consumers are not being charged higher energy or standing charges than non-solar customers; and
- metering charges for solar customers are reasonable.

Continued engagement

PIAC would welcome the opportunity to meet with IPART and other stakeholders to discuss these issues in more depth.

Yours sincerely,

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