

04 June 2018

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



Dear Ms Robinson,

### **Submission to IPART 2018-19 solar feed-in tariffs draft report**

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 people who are marginalised and facing disadvantage. 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) draft report.<sup>1</sup> 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.

In PIAC's view, the priority for IPART is to implement solar feed-in tariffs that will promote the efficient deployment and use of solar, batteries and other distributed energy resources, particularly to address localised distribution system constraints and regional transmission and wholesale peak demand.

Overall, PIAC supports IPART's proposed time variant feed-in tariffs as they reflect this priority. However, PIAC suggests that IPART consider some discrete changes in the final report.

#### **Time-variant pricing**

PIAC supports the adoption of IPART's approach to time variant feed-in tariffs, especially due to the granularity of the analysis included in the draft report.

However, we recommend that IPART align the time intervals with those of consumption tariffs where it is practical, and not inefficient, to do so. While PIAC acknowledges IPART's conclusion that setting feed-in tariffs using half-hour intervals allows for more granular tariffs, we consider that this has the potential to unnecessarily confuse consumers.

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 half an hour earlier or later in the day. PIAC considers that this would become more common as retail electricity pricing

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<sup>1</sup> IPART, [Solar feed-in tariffs: the value of electricity from small-scale solar panels in 2018-19](#), May 2018.

begins to reflect the cost-reflective network tariffs required following the *Distribution Network Pricing Arrangements* rule changes made in 2014.<sup>2</sup>

Therefore, we urge IPART to align time intervals used for benchmark feed-in tariffs with those used for consumption tariffs in order to reduce confusion for consumers.

### **Recommendation 1**

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*PIAC recommends IPART align time intervals used for benchmark feed-in tariffs with those used for consumption tariffs where practical.*

### **Wholesale price averaging**

PIAC recommends that IPART consider using a longer-term averaging period to determine wholesale price on which to base its annual feed-in tariff benchmarks.

Currently, IPART use a 40-day average of contract prices to estimate the wholesale price of electricity for the following year.<sup>3</sup> By using such a short averaging period, IPART's benchmark feed-in tariffs tend to vary considerably from year to year. For example, the draft 2018-19 all-day solar feed-in tariff is 7.5 c/kWh, a large decrease from the 12.8 c/kWh final benchmark for 2017-18.

In PIAC's view, this year-on-year variation is not in the interests of consumers. For consumers considering installing distributed energy resources, it is very important that they can make this investment decision with some long-term certainty; households that buy solar or batteries today will expect them to work in a certain way for a period of time. By producing considerably different benchmark feed-in tariffs from year to year, IPART is not creating this certainty.

Using a longer averaging period to determine the benchmark wholesale price used would address this issue. This would allow IPART to maintain responsiveness to changes in the wholesale market while ensuring that consumers were given a level of certainty about their investments. PIAC notes that there was a high level of agreement on this point among stakeholders at the public hearing on the draft report.

### **Recommendation 2**

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*PIAC recommends that IPART use longer averaging periods to determine the wholesale price used to calculate benchmark feed-in tariffs.*

### **Solar exports and network benefits**

PIAC notes that IPART considers that solar exports are not likely to provide network benefits because network peak demand occurs in the late afternoon, when the proportion of solar exports is very low.<sup>4</sup>

PIAC disagrees. As noted in our testimony to the IPART public hearing on the draft report, PIAC contends that IPART should consider the localised transmission and sub-transmission networks that peak early in the afternoons, particularly those that feed into industrial locations.<sup>5</sup> In these networks, solar exports have a material impact on peak demand and reduce the network capacity required to serve these locations.

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<sup>2</sup> AEMC, [National Electricity Amendment \(Distribution Network Pricing Arrangements\) Rule 2014](#), November 2014.

<sup>3</sup> IPART, [Solar feed-in tariffs: the value of electricity from small-scale solar panels in 2018-19](#), 43.

<sup>4</sup> Ibid, 10.

<sup>5</sup> IPART, [Draft Report – 2018-2019 Solar Feed-In Tariff Benchmarks \(Public Forum\)](#), transcript, May 2018, 19.

**Continued engagement**

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

Yours sincerely,

**Tim Harrison**

**Miyuru Ediriweera**

