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16 April 2018

2018 Solar feed in tariff review
Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop NSW 1240

Submitted online

Dear Sir/Madam,

Re: Solar feed-in tariffs issues paper: The value of electricity from small-scale solar panels in 2018-19

Red Energy (Red) and Lumo Energy (Lumo) welcome the opportunity to comment on IPART's solar feed-in tariffs issues paper on the value of electricity from small-scale solar panels in 2018-19 (the issues paper).

IPART has been given a Terms of Reference by the NSW Government to set a benchmark range for a retailer's feed in tariffs (FITs) that also provides guidance to solar customers on whether the FIT offered by their retailer is reasonable. We consider that publishing a benchmark FIT is unnecessary as there is substantial competition in the NSW market. In fact, there are over 26 retailers that offer competitive FITs in New South Wales (NSW). As such, a benchmark approach to determine an appropriate range of FITs for retailers to rely upon is unnecessary. However, understanding this is required under the Terms of Reference, IPART's methodology for developing an all time benchmark FIT is acceptable. The Terms of Reference also request that IPART review whether more granular FITs should apply, which we do not consider is required.

More granular FITs

In the competitive market, retailers innovate in what products, services and pricing structures appeal to their customers, and should implementing more granular FITs be desirable, retailers will begin to offer them. This process will evolve over time as the demand for them increases.

As such, we do not currently support more granular FITs because:

- most consumers in NSW do not have a smart meter and will not benefit from more granular FITs.
- should retailers be required to offer more granular FITs without the requisite customer uptake, retailers would incur system and process costs to implement with the risk of no or under-recovery.



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- more granular FITs would add another level of complexity in energy pricing for consumers to deal with. This also adds the risk that IPART introduces a change that consumers have no interest in which just adds unnecessary complexity.
- IPART's process of providing more granular tariffs by providing peak (2pm to 4pm) and off peak (all other times) tariffs around an all time benchmark may not accurately reflect the wholesale price of electricity at those times. As such, the risk is that IPART might be setting inaccurate pricing expectations for consumers by publishing more granular FITs.

IPART's approach to developing benchmark FIT is acceptable

While we do not consider that developing a benchmark FIT is necessary in a competitive market, our view is IPART's:

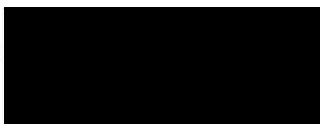
- methodology for determining an all time benchmark FIT is acceptable
- approach of using a 40 day average of ASX baseload electricity contract prices assuming a 5% contract premium to determine a proxy for the future price of wholesale electricity in NSW is acceptable
- use of historical data to be an appropriate source of information for setting future wholesale prices and FITs.

About Red and Lumo

Red and Lumo are 100% Australian owned subsidiaries of Snowy Hydro Limited. Collectively, we retail gas and electricity in Victoria, South Australia and New South Wales and electricity in Queensland to approximately 1.1 million customers.

For further enquiries regarding this submission, please call Con Noutso, Regulatory Manager on 0481 013 988.

Yours sincerely



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