



21 May 2014

Dr Peter Boxall, AO
Chairman
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Office NSW 1230

By email to ipart@ipart.nsw.gov.au

Dear Dr Boxall,

Solar Feed-in Tariffs (FiT) Draft Determination – April 2014

AGL welcomes the opportunity to comment on IPART's *Solar feed-in tariffs – The subsidy-free value of electricity from small-scale solar PV units from 1 July 2014 – Draft Report, April 2014* ('Draft Determination'). AGL has previously provided a submission to the Issues Paper on this review in January 2014.

AGL notes the revised terms of reference which requires the use of the wholesale market value method to estimate the benchmark range and the retailer contribution (for customers on the Solar Bonus Scheme) for electricity produced by customers with complying PV generators. As submitted in a previous determination, AGL considers that the wholesale market value is the more appropriate guide to the value of PV exports than the financial gain method.

The revised terms of reference also requires IPART to take account of the wholesale value at the time of export. IPART has interpreted this by setting the upper end of the range based on the wholesale market value between 3pm and 5pm, when the value is the highest, and the lower end based on the value at all other times of the day. A median value across all time is also provided. AGL currently offers a FiT of 8 c/kWh compared with the median value for 2014/15 of 5.8 c/kWh and the benchmark range of 5.0 – 9.6 c/kWh in the Draft Determination. AGL considers the proposed values to be reasonable.

In relation to the retailer contribution toward the Solar Bonus Scheme, the value based on the lower end of the wholesale market value for gross metered customers is appropriate to avoid the risk of increasing retail electricity prices if this value is set too high.

Below are AGL's comments on some of the issues discussed in the Draft Determination:

Mandating minimum feed-in tariffs

AGL supports IPART's view that the competitive market is the best way to deliver the fair value of PV exports and that there is a risk that setting a mandatory rate too high would lead to less competition and/or higher retail prices for PV customers.

Given the NSW government and the AEMC consider the retail electricity market to be effectively competitive and have removed price regulation from 1 July 2014, it will be incongruous to mandate solar FiT.

Time varying value of energy in the wholesale electricity market

In the Draft Determination, IPART supported time-varying solar FiTs as they would provide price signals where customers have the ability to respond.

AGL notes that the benchmark range is voluntary and it is important that retailers, who bear the costs of supporting the FiT, have the flexibility to develop tariffs they consider suitable for the circumstances.

Time varying value to network businesses

IPART has pointed out that PV customers can impose costs and benefits on a network business. In AGL's view, any costs or benefits should be reflected through network distribution charges, not through the solar FiT.

It is highly relevant to refer to recent presentations¹ by Networks NSW (comprising Ausgrid, Endeavour Energy and Essential Energy) on the access arrangements for 2014-19. In these presentations, Networks NSW has stated that consumption is expected to decline by 1.6% per year. Peak demand is also expected to decline and no capital expenditure for growth (other than new connections) has been forecast over the next access arrangement. Therefore, it is a moot point to consider any benefits of delaying investment needed to augment the network.

Carbon price

AGL supports IPART approach not to publish the retailer contribution and benchmark range with and without carbon given the voluntary benchmark range and the difference is small.

Should you have any questions in relation to this submission, please contact me at mgoh@agl.com.au or (02) 9921 2221.

Yours sincerely,

Meng Goh
Manager Regulated Pricing

¹ Presentations by Network NSW at the Consumer and Welfare Forum on 11 March 2014 to and at the Retailer Forum on 2 May 2014