



**Submission by**

**Alternative Technology Association**

**on**

**IPART's Review of Solar Feed-in Tariffs 2013 to 2014**

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## 1.0 Introduction

The Alternative Technology Association (ATA) welcomes the opportunity to provide comment on IPART's review of the NSW solar feed-in tariff (FiT) for 2013-14.

ATA is a national, not-for-profit organisation representing consumers and communities in the renewable energy and energy efficiency marketplace. The organisation currently provides service to 5,200 members nationally who are actively engaged with small, medium and large scale renewable energy projects, energy efficiency and the national electricity market (NEM).

ATA provides an 'independent' consumer advice role, both to our members in NSW and throughout Australia, and also more broadly to the general public. As we are not funded by, and do not have direct links with industry or government, the ATA is a trusted source of advice for our membership and the general public in regards to the economics and environmental benefits of sustainable energy technologies.

A key specialist area of the ATA's in this regard is the economic impact, both at the customer level and with respect to the dynamics of the electricity market, of solar PV. Through our work as consumer advocates on broader issues within the NEM, ATA has developed a solid understanding of the optimal role of distributed generation technologies such as solar photovoltaic (PV) in the energy market.

## 2.0 The Role of Solar

After approximately four years of continuing electricity demand reduction in the NEM, both in terms of peak and average electricity demand, it is now irrefutable that greater investment in solar PV has driven down wholesale electricity prices.

Nowhere is this evidence greater than in South Australia<sup>1</sup>, where a substantial reduction in wholesale electricity demand over 2010/11 has led the South Australian Government to reduce the regulated electricity tariff by 8.1% for all electricity consumers. South Australia has the highest penetration of solar PV capacity per capita of any jurisdiction in the country.

Given the substantial uptake of solar PV in NSW since the introduction of its FiT, similar downward pressure on wholesale prices of even greater magnitude will have occurred in the NSW market.

Backing this up is the considerable anti-solar lobbying efforts of the supply-side generators during this time frame – which ATA would be very surprised if IPART and the NSW Government were not familiar with.

Large scale generators would not be rallying so strongly, both publicly and behind closed doors, if solar were not depressing prices at the wholesale level. In this regard, ATA would point out that the duty of any regulator, when subject to the intense lobbying efforts of centralised generators, is to keep firmly in mind the National Electricity Objective – which is aimed at the long term interests of consumers, and not supply-side generators.

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<sup>1</sup> <http://www.businessspectator.com.au/article/2012/8/22/smart-energy/whos-afraid-solar-pv>

Reduced wholesale prices from the uptake of solar PV is a substantial benefit to all electricity consumers – not just those with solar on their roofs. It is imperative therefore, that this benefit gets taken into consideration when considering the role of solar in the NEM going forward.

Over the past four years however, governments and regulators around Australia have continued to inaccurately state the costs of solar – whether they be costs borne by consumers through FiTs, the cost of solar's proportionate part of the Renewable Energy Target, or other support mechanisms.

These stated 'costs' have completely ignored the substantial benefit that solar causes at the wholesale level, and no jurisdictional regulator has been more ignorant of this dynamic than IPART.

**In order to properly understand the actual costs of solar PV on all electricity consumers, the wholesale price benefits to all consumers need to be fully understood – and balanced against the cost of any specific scheme. To ignore the benefits side of the equation is to ignore half the economic question relating to solar.**

Peer reviewed research conducted by the University of Melbourne<sup>2</sup> and published in the Journal *Energy Policy* (2013), clearly demonstrates this benefit at various scales within the NEM. At a broad level, the Melbourne University work demonstrates that using 2009 actual demand and supply levels, the benefit of two gigawatts of distributed solar in the form of lower wholesale electricity prices for all consumers amounted to over \$650 million in that year alone.

Whilst this figure is NEM-wide (where currently approximately two gigawatts of solar exists), it is equally for one year only – and is clearly an indicator of substantial savings to all NSW consumers from the introduction of solar.

It is only when the cost of FiT schemes are considered against the benefits at the wholesale and potentially other levels (e.g. networks) of the supply chain can a true 'net cost' on all electricity consumers be estimated. It is now clear that the imposed 'costs' of the NSW FiT, as purported by IPART over the past couple of years, are grossly inaccurate and completely misleading to the NSW public.

Given where IPART has previously landed regarding the current FiT rate range for NSW – i.e. a level that reflects long-run, NSW daytime wholesale prices, there is no longer any additional cost imposed on NSW electricity consumers – given that they are only paying to solar generators what they would otherwise be paying to supply side generators through their retailer, for the same amount of electricity.

When properly considered, FiTs set at a 'wholesale price plus system losses value' only, are actually a cross subsidy from solar owners to all other consumers, as the additional benefit that distributed generation is providing in the form of merit order price reductions is not being recognised through the FiT rate. Ultimately, wholesale prices would be more expensive for all electricity consumers were the solar systems supported by the FiT not in existence.

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<sup>2</sup> Mcconnell, D et al. *Retrospective Modeling of the Merit-order Effect on Wholesale Electricity Prices from Distributed Photovoltaic Generation in the Australian National Electricity Market*. *Energy Policy* in press (2013).

ATA strongly urges IPART to consider the full costs and benefits of solar and its role in the energy market, as part of any future decisions regarding FiTs or other relevant mechanisms.

## 2.0 Continuing Market Barriers for Solar in NSW

A fair and reasonable approach towards setting ongoing FiT rates for solar is substantially undermined by the fact that NSW does not currently employ a mechanism that requires electricity retailers in NSW to offer a FiT in the first place.

As of January 2013, only 6 of 14 retailers in NSW offered a FiT rate to solar customers, with these voluntary FiT rates varying from 5 to 8 cents.

IPART's benchmark range for the FiT for 2012/13 was 7.7c to 12.9c. It is clear that retailers who choose to offer a FiT are keeping it below or to the lower part of the recommended range.<sup>3</sup> This is of significant concern to solar customers and is a compliance issue that should be rectified as a matter of urgency by IPART or the NSW Energy Ombudsman.

Broader than the specific issue of FiTs being outside the regulated range however, is the issue of vertical integration – which will continue to present impenetrable market barriers to solar FiTs without specific government regulation.

As is well understood, the majority of electricity retailers around the country now have some level of vertical integration – i.e. they own some degree of centralised generation assets that trade directly into the wholesale market.

As vertically integrated businesses, part of their vested interest is to ensure that the wholesale market trades as high as possible (with respect to price) to ensure that they get the best return for their generation assets as is possible.

The increasing prevalence of distributed generation such as solar is obviously in direct conflict or competition with gen-tailers business models – and will ensure that as solar proliferates, gen-tailers will become increasingly resistant towards offering fair and reasonable FiT rates.

NSW is the only market in Australia where FiT rates have been left to the market to determine. On the basis of current market performance, there is little evidence to suggest that retailers will offer fair and reasonable solar FiT rates without a legislated minimum rate in place.

In this context, ATA would again urge IPART and the NSW Government to consider mandatory regulation for FiT offers, with a guaranteed range regarding FiT range, in order to provide certainty to solar customers and the industry going forward.

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<sup>3</sup> IPART, Fact sheet, *Benchmark feed-in tariff range 2012/13*, 27 June 2012

### 3.0 Further Contact

Thank you for the opportunity to provide comment to this process and please do not hesitate to contact us at [Damien.Moyse@ata.org.au](mailto:Damien.Moyse@ata.org.au) or on (03) 9631 5417.

Yours sincerely

A handwritten signature in black ink, appearing to read 'D. Moyse', with a large, stylized flourish extending downwards from the end of the signature.

**Damien Moyse**  
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