



SUBMISSION TO  
THE INDEPENDENT PRICING AND REGULATORY TRIBUNAL

SOLAR FEED-IN TARIFFS  
SETTING A FAIR AND REASONABLE VALUE FOR  
ELECTRICITY GENERATED BY SMALL-SCALE SOLAR PV  
UNITS IN NSW

Submission prepared by

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ARECA acknowledges the depth of research and analysis that IPART has undertaken in relation to Feed-in Tariffs in NSW however they have been tied to inappropriate terms of reference that has enabled them to arrive at only one conclusion; the setting of a low rate for power generated by small scale solar units.

### ***THE TERMS OF REFERENCE***

The Terms of Reference were set to exclude any form of Government subsidy or preferential conditions to the solar PV industry.

Excluding this whilst providing vast direct and indirect subsidies to the coal fired generation is totally inappropriate and we feel that without taking this into account IPART cannot set a fair & reasonable value for small-scale solar.

IPART can set a price for small-scale solar but it can not be heralded as a “Fair & Reasonable” price as it does not take into account all aspects as highlighted in the IPART Draft report – Solar feed-in tariffs – November 2011

As detailed in the NSW Auditor-Generals Report Volume One 2011 Electricity Sale Transactions – Page 57<sup>1</sup>; The Cobbora Coal mine will be supplying coal to the Gen Traders for a period of 17 years at a rate of \$31.16 per tonne well below the current rate for exported coal which is \$100+ per tonne effectively providing a subsidy of \$68+ per tonne.

Any new Solar PV exporting electricity back to the grid will be directly competing against this highly subsidised coal fired energy.

IPART should report back to the government that there are numerous things preventing them from setting a “fair and reasonable” price for Solar PV and to enable them to set this “fair and reasonable” price the terms of reference will need to be broadened to enable IPART to investigate all aspects required

<sup>1</sup> <http://tinyurl.com/6o5gm74>

### ***POTENTIAL FOR PV EXPORTS TO NETWORK EXPENDITURE***

We are happy to see that IPART is recommending that the National Electricity Rules and the framework governing the economic regulation of electricity networks be reviewed to ensure that small-scale renewable generation is appropriately incorporated into the policy and regulatory framework.

We feel that there also needs to be a lot more emphasis put on the savings to the distribution network as highlighted in Country Energy’s (Essential Energy) Electricity Network Performance Report 2009-20101 (Page 28)<sup>2</sup> this report highlights over \$10million in deferred capital expenditure plus operating expenditure for 35MW of installed solar PV. If these savings were similar across all NSW this would equate to over \$100million in savings, we understand that the calculation is not that simple but further investigation is warranted before a “fair and reasonable” price for solar PV is set.

We note that in your analysis and conclusion you have stated that it is important to consider the implications of increasing exports from small-scale PV for the regulation of DNSP's revenues and noted how AGL has described that increasing PV exports may reduce network system use, which could reduce network demand and increase prices to all customers.

There are numerous things that customers can do that may reduce network system use and will ultimately affect the DNSP's revenue, like energy efficiency measures. Do we limit the amount of energy efficiency measures that one customer can do so the electricity price for another customer does not rise?

Are we to go down the anti competitive path of restricting a competing energy generator from supplying customers within the market for the benefit of existing energy generators revenue's?

<sup>2</sup> Country Energy Electricity Network Performance Report 2009-2010  
<http://tinyurl.com/7z7u4ak>

#### ***MECHANISM FOR IMPLIMENTING A FEED-IN TARIFF IN NSW***

IPART has recommended that the best way to implement any new FiT is to publicise a benchmark range and this will exert competitive pressure on retailers to offer a feed-in tariff.

Since the closure of the Solar Bonus Scheme we have had approximately 9 months for the retailers to offer some sort of Feed-in tariff to any new customers which currently we have one offering 6c per kWh for exported energy. This rate being offered is not far below what IPART has recommended as a "fair and Reasonable" price for Solar PV in their draft report.

To date we have not seen any pressure applied to any of the other retailers in NSW to offer any sort of FiT. We feel that any new scheme will be required to be a mandatory as the retailers have proven over the last 9 months that a voluntary scheme is unlikely to succeed.

#### ***WHICH PV CUSTOMERS SHOULD BE ELIGIBLE FOR A FEED-IN TARIFF***

We agree with IPART in that Net metering arrangements should be offered

We however believe that restricting the system size to 5kW will be detrimental to customers who have high daytime power consumption, i.e. if a customer uses say 50kWh of electricity a day why should you be restricted to installing only a 5kW system that will produce on average less than 25kWh a day when you could go close to eliminating your electricity account with a 10kW system. We believe that the best way to eliminate any profiteering out of any future Scheme would be by the following:-

- Exported energy is credited to your electricity account.
- No cash payments for exported electricity, meaning that the credit stays on your account to be used by the customer, this will eliminate the problem of customers over sizing their systems to make a profit as they will only be getting a credit on their account.

## **CONCLUSION**

ARECA believes that under the terms of reference provided to IPART that they are not able to set a “Fair and Reasonable” price for Solar PV and that they should be setting an “Interim” price for solar until a true “Fair and Reasonable” price can be calculated. IPART itself has stated that there may be other economical impacts that are to date unquantifiable and are therefore excluded from IPART’s calculation of a future Feed-in Tariff.

We believe that IPART should be noting in its final report to the government the reasons why the “Fair and Reasonable” price cannot be calculated and that the “interim” price terminology should be adopted and that the terms of reference were inappropriate.

To set a price so much lower that what a customer is paying for coal fired power is a psychological barrier for the Solar PV industry as it says to the consumer that Solar PV is not as valuable as coal fired power.

Community expectation is that we should be moving towards a renewable energy future<sup>3</sup> and reducing our CO2 emissions, while the solar PV industry is competing unsubsidised against the highly subsidised coal fired power industry this will never happen.

We believe a “Fair and Reasonable” price for Solar PV is a parity 1:1 retail payment which may require a minor subsidy from the Government, but we believe if the new scheme also includes Net metering with no cash payments to eliminate over sized systems any subsidy required will only be minor.

<sup>3</sup> 14000, conversations – What Australians are saying about renewable energy  
<http://tinyurl.com/7dz5hf9>