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1 May 2014

2014/15 Solar Feed-in Tariff Review
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Office
NSW 1230

Dear Sir / Madam,

Solar Feed-in Tariffs: Draft Report

The Clean Energy Council (CEC) welcomes the opportunity to respond to IPART's draft report on solar feed-in tariffs.

The CEC is the peak body representing Australia's clean energy and energy efficiency industries. Its priorities are to:

- Create the optimal conditions in Australia to stimulate investment in the development and deployment of world's best clean energy technologies;
- Develop effective legislation and regulation to improve energy efficiency; and
- Work to reduce costs and remove all other barriers to accessing clean energy.

The CEC works with governments and over 600 member organisations to identify and address the barriers to efficient industry development in the clean energy sector. The clean energy industry contributes to the generation of electricity using wind, hydro, solar, biomass, geothermal and marine energy as well as emerging technologies and service providers in the energy efficiency sector.

For further information regarding this submission please contact Darren Gladman at DGladman@cleanenergycouncil.org.au.

Yours sincerely,

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Darren Gladman
Policy Manager



Clean Energy Council submission to IPART Draft Report on solar feed-in tariffs

Executive Summary

The Clean Energy Council (CEC) welcomes IPART's in-principle support for time-varying solar feed-in tariffs and its acknowledgement that this would contribute to fairer and more efficient outcomes where customers can respond to price signals.

Competition is not delivering for solar PV customers. Under the current regulatory system incumbent 'gentailers' and distribution businesses are able to stymie competition from distributed generation and storage. The regulations should allow alternative energy sellers the same network access as electricity retailers. As tariff structures can be used to impede competition from distributed generation and storage, distribution businesses should not be free to set tariffs without regulatory oversight.

In 2014 and 2015 there will be several opportunities to improve the competitive environment for distributed generation and storage in New South Wales (NSW). For example, the Federal Government's Review of Competition Policy, the Australian Energy Market Commission's (AEMC) rule changes on distribution network pricing arrangements and grid-connection processes and the NSW Electricity Distribution Reset could all be opportunities to improve competition in electricity supply in NSW. CEC would welcome the opportunity to work with IPART to use these processes to achieve a more competitive market, enabling fairer and more efficient pricing for consumers. To that end, we call on IPART to support the following policy objectives:

- Distribution businesses should not be free to set tariffs or change customers' tariff structures without regulatory oversight by the Australian Energy Regulator (AER).
- Alternative energy sellers should be able to negotiate with distribution businesses on an equal footing to authorised energy retailers.
- Grid connection processes should be supported by clear rules with consistent obligations on distribution networks, while reinforcing AER's role in overseeing these negotiated services.

In addition to issues regarding competition, we would also question IPART's assertion that it is unnecessary to model wholesale prices if the carbon price is not repealed.

Competition is not delivering for solar PV owners

We note IPART's view that mandating feed-in tariffs is unnecessary because "in a competitive market any retailer (regardless of whether it is a gentailer or not) has an incentive to offer a fair price for a customer's PV exports".

Gentailers in New South Wales (NSW) have been free to set their own feed-in tariffs for more than two years. Competition between retailers has not yet delivered the outcomes on feed-in tariffs that IPART agrees would be fair and efficient.

Competition does not appear to be delivering. CEC is not aware of a single NSW consumer who has received an offer of a time-varying solar feed-in tariff. There are three possible explanations for this, namely that:

- The belief that competition will deliver a fair and efficient feed-in tariff outcome for solar PV owners is misplaced; or
- Electricity retailers are engaging in collusive behaviour; or
- There is insufficient competition in the NSW electricity retail market to deliver a fair and efficient feed-in tariff outcome for solar PV owners.

We dispute IPART's belief that competition will deliver a fair and efficient feed-in tariff outcome. Gentailers have had more than two years to make a fair and efficient feed-in tariff offer and none have been forthcoming to date. There simply is no evidence to demonstrate IPART's assertion that competition will deliver a feed-in tariff that recognises the value of the electricity when and where it is exported. CEC will continue to advocate for regulation of feed-in tariffs for so long as there is no evidence to support IPART's assertion that competition is sufficient to deliver the pricing objectives that it supports and that do not exist in NSW.

Notwithstanding our rejection of IPART's assertion that regulation is not required to achieve a fair and efficient price for feed-in tariffs, we are open to working with IPART to develop proposals to improve the ability for distributed generation and storage to compete with incumbents. To that end, we call on IPART to support the following policy objectives:

- Distribution businesses should not be free to set tariffs or change customers' tariff structures without regulatory oversight by the Australian Energy Regulator (AER).
- Alternative energy sellers should be able to negotiate with distribution businesses on an equal footing to authorised energy retailers.
- Grid connection processes should be supported by clear rules with consistent obligations on distribution networks, while reinforcing AER's role in overseeing these negotiated services.

Benchmark range with and without carbon pricing

The Draft Report states that,

"We do not propose to recommend the retailer contribution and benchmark range with and without carbon as some stakeholders have submitted. If the carbon price is repealed in 2014/15, the impact would be modest (around 0.3 c/kWh) because forecast wholesale market values already 'price in' much of the removal of the carbon price. As this is a voluntary benchmark range and the impact is small, we consider there is no need to recommend ranges with and without carbon. We invite stakeholder comments on this approach."

It appears that IPART misunderstands the point being made. The point is not to model wholesale prices if the carbon price is repealed because, as IPART itself acknowledges, the market has already priced in its expectation that the carbon price will be repealed. The point is to model wholesale prices if the carbon price legislation is not repealed. Considering the composition of the Federal Senate, it is by no means a foregone conclusion that carbon pricing will be repealed.

We recommend IPART model wholesale prices if the carbon price legislation is not repealed in order to give customers guidance if the Federal Government's repeal proposal is unsuccessful.