



## Ethnic Communities' Council of NSW Inc.

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24/9/2015

### **Submission in response to the IPART Draft Report on Solar feed-in tariffs for 2015-16.**

The Ethnic Communities Council of NSW (ECC NSW) and the Federation of Ethnic Communities' Councils of Australia (FECCA) welcome the opportunity to comment on the IPART Draft Report on Solar feed-in tariffs for 2015-16.

Since its formation 40 years ago the ECC NSW has been the peak body for culturally and linguistically diverse (CALD) community members and representative organisations in NSW. The Ethnic Communities' Council of NSW main activities are advocacy, education and community development. It is a member of the Federation of Ethnic Communities Councils of Australia (FECCA) and the Energy Advocacy role represents FECCA in the National Energy Market (NEM).

We would like to comment on the suitability of the wholesale value method in capturing the full range of benefits provided by small scale solar PV to achieving the National Energy Objective (NEO). We support the payment of a fair price to those 'prosumers' who are producing electricity that is fed back to the National Energy Market (NEM). The calculation of such a 'fair' price should include all of the direct and indirect benefits of rooftop PV to the NEM, as well as the broader societal and environmental benefits accruing from small scale solar PV. A fair price for solar feed-in would recognise that small scale solar generation is supportive of the NEO.

Small scale solar PV allows individual consumers who generate electricity to participate in electricity markets, thus creating greater competition in energy markets. Solar PV also encourages households and small generators to focus on the efficiency of their operations, especially if they are on a net metering tariff. It can also contribute to reducing peak pricing in summer and enable the more efficient use of networks, as well as reducing the intensity of emissions. More broadly, there is clear evidence that renewable energy lowers wholesale prices as a result of the merit order effect and contributes to job creation as well as environmental and health benefits.

The use of the wholesale market value which underpins the benchmark range established in the report<sup>1</sup> relies on the wholesale value of energy at particular times of the day. It does not appear to factor in the value of benefits such as avoided transmission and distribution losses, avoided network investment and augmentation or avoided NEM fees, for example. In addition, there is no evaluation or inclusion in the benchmark calculations of the broader societal and environmental costs/benefits of small scale solar generation.

Ideally, to be equitable, benchmark calculations should be location and time specific, as well as incorporating provisions for critical peak pricing. Given that most energy retailers also have interests in generation ('gentailers'), retailers are in the position of being able to purchase energy at under 5 cents/kWhr from one consumer and on-sell to their near neighbour at retail

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<sup>1</sup> IPART, Solar feed-in tariff, Draft Report August 2015, page 2

rates as much as twelve times higher. Appropriate benchmarking should factor in the cross-subsidies of small scale solar installations to networks.

IPART has made its determination on the 25<sup>th</sup> percentile rather than the median of the wholesale market value of PV exports for a range of reasons detailed in the report. Rather than using the first quartile (which then sets a precedent for future calculations in subsequent determinations) it seems sensible to maintain the use of the median value given 'the outlook for price volatility during the day remains uncertain'.<sup>2</sup>

A benchmark range as suggested in the report unnecessarily simplifies the costs/benefits to all parties in the feed-in transaction. The possibility of a peak/shoulder/off peak tariff structure, the value of local generation to relieve constricted networks or more generally to defer replacement/augmentation expenditure need to be considered.

We recognise that IPART is prevented by its terms of reference from considering the introduction of mandatory feed-in tariffs. There is a need, however, for IPART to assess whether the setting of feed-in tariffs by retailers, particularly those retailers with generation assets, can provide for an efficient and competitive energy market in the long term interests of consumers.

Recommendations:

- 1. Feed-in tariffs should be mandated by regulation; the NSW Government should mandate a minimum solar feed-in tariff and instruct IPART to set a value for the tariff based on equity and the fair benefits of renewable energy to consumers.*
- 2. IPART should investigate how retailers could be encouraged (other than by regulation only) to offer feed-in tariffs that more accurately reflect the broad economic, social and environmental benefits of local, small scale solar generation.*
- 3. IPART should monitor, collect data and report on the levels of consumer acceptance and satisfaction of feed-in tariff offers by retailers and the level of cross-subsidies that households with solar PV are providing retailers.*

FECCA and ECC NSW thank IPART for the opportunity to comment on its Draft Report on Solar feed-in tariffs for 2015-16.

If you require additional information please contact Iain Maitland, Energy Advocate

Sincerely yours,  
Mary Karras

Executive Officer  
Ethnic Communities' Council of NSW Inc.

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<sup>2</sup> op cit page 20