

# Review of Solar Feed-In Tariffs 2013 - 2014

## SUBMISSION

Supporters of the Campaign For A 1 For 1 Solar Feed-In Tariff for NSW have joined the campaign to attempt to get a fair price for the electricity they produce and supply to the grid.

Campaign supporters understand that the NSW Government are reluctant to impose a full 1 for 1 feed-in tariff at this stage as it potentially would increase retail electricity prices in NSW and may involve the Government providing a component to ensure continued profitability in the electricity retail market.

Unfortunately many people in NSW, who have installed solar systems since the end of the Solar Bonus Scheme (SBS), have been at the mercy of their electricity retailer and have received nothing for their excess electricity. Even worse, some customers have experienced grotesque price gouging by their electricity retailer just because they have solar. This is unjust and needs urgent attention by IPART and the NSW Government.

The key issues which IPART should consider during this review are:

- Whether the previous recommended benchmark range of 7.7c per KWh to 12.9c per KWh resulted in increased competition in the market.
- What is a 'fair & equitable' range for any solar feed-in tariff.
- Whether it is appropriate to have a mandatory minimum rate which all electricity retailers must provide.
- What benefits can be produced by setting an equitable feed-in tariff in NSW.

### **Whether the previous recommended benchmark range of 7.7c per KWh to 12.9c per KWh resulted in increased competition in the market.**

Since the end of the Solar Bonus Scheme in NSW more than 42,000 new solar PV systems have been installed under net metering and connections are continuing at a steady pace. According to the Fact Sheet released by IPART on 15 May 2013, announcing the current review, more than 160,000 households and small businesses have solar panels, connected on either 'gross' or 'net' metering, generating electricity.

These NSW customers have been providing an ever growing amount of electricity to the grid thus reducing the amount of electricity needing to be purchased from the generators and thus driving down the wholesale electricity price during daylight hours in the spring/summer months, however the retail price is still determined on the wholesale electricity price set during the hours 6pm through to 12am, in this summer period, when electricity usage is at its highest.

The more power generated through solar directly affects the amount of electricity required to be purchased from the generation networks.

These customers, though contributing greatly to NSW electricity needs, are not receiving much benefit and some even fail to receive the IPART recommended 7.7c per KWh for their excess electricity which was determined in the last IPART review in 2012.

Currently, on review of the 'My Energy Offers' page on the IPART website the following feed-in tariff's are noted:

Lumo	7.7c per KWh
Dodo	No feed-in tariff
AGL	8c per KWh offered to some customers only, No feed-in tariff offered to others
Origin	6c per KWh
Red	No feed-in tariff offered
Energy Australia	6c per KWh
QEnergy	No feed-in tariff
Momentum	No feed-in tariff
Power Direct	6c per KWh
Australian Power & Gas	No feed-in tariff
Country Energy	No feed-in tariff

Noting the above, which clearly indicates only one electricity retailer offering the recommended minimum feed-in tariff of 7.7c per KWh, and one retailer offering 8c per KWh to 'select customers', how can the electricity retailers honestly say that the current benchmark has increased competition within the market. Of the five retailers that currently offer a feed-in tariff only 2 retailers are within the recommended range. These 2 retailers however appear to only offer this feed-in tariff to customers who enter into a specific contract which often increases their electricity charge rates. This ultimately leads to the customer getting little, if any, value for the electricity they export and in some situations being in a worse financial position.

Of the 11 retailers, listed on the 'My Energy Offers' website, 6 offer no feed-in tariff whatsoever and 1 only offers a feed-in tariff to those who enter into a fixed contract. Of the remaining 4 retailers, who offer a feed-in tariff, only 1 offers a FIT within the recommended benchmark. The other 3 only offer 6c per KWh.

How can this be considered competitive?

How can it be considered value for money for the investment NSW customers have made by installing solar?

Do NSW Electricity users have an ability to negotiate a 'fair' price for their excess electricity? The short answer is 'NO'.

The electricity retailers will not negotiate with their customers over feed-in tariffs. If a retailer offers their customer a tariff they will dictate the FIT rate and will also dictate the charge rate for the electricity the customer draws from the grid.

According to EWON's (Electricity & Water Ombudsman of NSW) 2011-2012 annual report there was a dramatic increase in complaints regarding solar issues from the previous year, 621 in 2011 to 1,247 in 2012. The report shows the key problems were:

- Retailers advising customers that a feed-in tariff is available if they sign up, when in fact the retailer does not offer any feed-in tariff.
- Customers who sign a contract to receive a feed-in tariff are moved to a 'time of use' tariff which increases their electricity costs.
- Delays in customers receiving the solar feed-in tariff from their retailer.

Of particular note is one case in which a retailer provided a customer with a written contract offering a solar feed-in tariff, under net metering, of 28c per KWh on a 2 year contract period with usage charged at 26.609c per KWh (incl GST). This offer was made in December 2011 and was accepted by the customer. The customer received correspondence from the retailer on 25 February 2012 confirming their account had been switched to the new supplier and confirming the charge rates, however this letter detailed the feed-in tariff as being only 8c per KWh.

The customer disputed this with the retailer and EWON with no result and eventually took action through the Consumer, Trader & Tenancy Tribunal of NSW (CTTT) alleging breach of contract. The electricity retailer settled on the day of the hearing, 2 October 2012, providing the customer with an advance payment, of \$2,747.20, to cover 2 years solar generation at 20c per KWh as well as continuing to pay 8c per KWh for electricity provided to the grid for the remainder of the contract period, CTTT File No: GEN 12/41250.

This retailer apparently provided this same offer to a number of customers between July 2011 and January 2012 and failed to honour it, however this customer appears to be the only one who was able to enforce the offer as they were able to obtain a written contract detailing the offer and they were prepared to take all necessary action to enforce the contract.

This is not an isolated case.

Is this action creating a 'competitive market' or is it deliberate action to mislead customers who install solar and an effort to discourage more customers from investing in solar.

Have NSW electricity retailers offered customer's increased feed-in tariffs to woo customers from their competitor's, or to keep their existing customer's?

Is this not one of the key measures of a 'competitive market'?

Is it not time that a mandatory regulated feed-in tariff be put in place for NSW electricity customers?

### **What is a 'fair & equitable' range for any solar feed-in tariff.**

Supporters of the Campaign For A 1 For 1 Solar Feed-In Tariff still believe that the electricity retailers should provide a feed-in tariff at the same rate that customers on net metered systems pay for the electricity they use as the retailers 'on-sell' the excess to other customers and do not provide the excess back to the customer who originally generated it. This may lead to a general increase in the regulated price of electricity and the campaign acknowledges this is not politically, or economically, favourable at this time.

According to the 'My Energy Offers' website, which currently provides a range of 24.11c per KWh to 27.92c per KWh in metropolitan areas and a range between 31.29c per KWh to 33.5c per KWh for non-metropolitan customers it is clear that the current 'recommended voluntary' feed-in tariff is inadequate, and unequitable, as electricity prices have risen sharply in the last 24 months.

To provide certainty, and value for money, for NSW customers it is recommended that a 'fair and equitable' feed-in tariff should be in the range of 14c to 20c per KWh for metropolitan customers and between 20c to 24c per KWh for non-metropolitan customers (based on current usage charge rates).

By setting a feed-in tariff approximately 10c below the standard regulated electricity price the investment NSW households and small businesses have made in solar would prove financially viable to these customers and provide a fair return on their investment and provide value for money for all NSW electricity customers as the owner of the installed solar system is required to maintain the system to ensure its continued output. Also neither the NSW Government or the electricity retailer, or distributor, are responsible for any ongoing maintenance or upkeep of these systems. This ongoing cost is the burden of the customer who has installed the system.

Most solar installers recommend that systems be inspected, and cleaned, twice a year to maintain the system and ensure peak output. This cost is incurred by the home owner or small business and roughly equates to a \$150.00 inspection plus \$17.00 per panel. On an average 12 panel system this equates to \$354.00 per inspection, or roughly \$708.00 per year. This equates, over the 25 year lifespan of current solar systems, to approximately \$17,700.00 (calculated on current costs and not including price rises or CPI increases).

Should not the owner of the system be able to recoup this cost in some way, either through a 'fair & equitable' feed-in tariff, or by billing their electricity retailer for the ongoing maintenance of their system? After all is not the retailer benefiting from the excess electricity being generated and supplied to the grid for the retailer to provide to their other customers at full regulated tariff rates.

Another issue which needs to be considered when setting a 'fair and equitable' feed-in tariff is whether it should be a mandatory minimum.

Campaign supporters argue that there should be a minimum mandatory feed-in tariff applied to all customers who have net metered solar systems. This is to ensure that all customers, who have net metered systems, receive something for their excess electricity. We recommend that the mandatory minimum FIT be set at 10c lower than the standard regulated electricity price for their

region. The minimum mandatory FIT should also stay in line with any future increases, or decreases, in the standard regulated electricity price.

We also argue that all electricity retailers should be restricted from offering contracts to customers, who have net metered systems, which provide an excessive charge rate in conjunction with a generous FIT. We argue that contract prices should be capped at no more than 15c per KWh above the feed-in tariff offered. This will prevent price gouging from occurring, but hopefully may encourage more competition within the market and provide customers with more generous feed-in tariffs if they enter into a contract.

**Whether it is appropriate to have a mandatory minimum rate which all electricity retailers must provide.**

Given that only 2 electricity retailers in NSW are currently offering a feed-in tariff within the range recommended by IPART in their last review in 2012, and 1 of those retailers only to customers who enter a fixed contract, is it not time that a mandatory regulated feed-in tariff be put in place for NSW electricity customers?

IPART, at their last review of feed-in tariffs, recommended a 'voluntary' rate range of 7.7c per KWh up to 12.9c per KWh for the 2012/2013 financial year. To date only one retailer in NSW has fully abided by that recommendation and offered the minimum rate of 7.7c per KWh to all its customers.

To provide fairness, and ensure a stable energy market within NSW, IPART should recommend a mandatory minimum feed-in tariff payable to customers in NSW who have net metered solar PV systems and should tie the minimum rate to any future retail price increases thus ensuring a stable feed-in tariff for NSW. This should assist in driving the electricity market to compete to offer customers higher feed-in tariffs, above the minimum, to secure greater access to non-generator produced electricity and thus reduce the amount of electricity they source from the generation system in Australia.

This should also ultimately aid in driving investment in new technology to enable storage of electricity sourced from solar and other green sources and could significantly reduce NSW reliance upon electricity sourced from current generation plants.

If IPART is inclined to recommend a mandatory feed-in tariff for solar, then they should consider a rate 10c below the regulated retail price, i.e. if rates are currently 24.25c per KWh then set the feed-in tariff at 14.25c per KWh. This rate should stay in line with any regulated price increases.

A fair mandatory feed-in tariff, set at a floor price of 10c below the retail price, will provide certainty to NSW electricity customers and ensure a stable market moving forward.

## **What benefits can be produced by setting an equitable feed-in tariff in NSW.**

Over recent years NSW has experienced a significant increase in retail electricity tariff's partly due to costs associated with maintaining, and upgrading, the aging distribution network, i.e. the 'poles & wires'. These costs resulted in increases of more than 13% in the regulated electricity price for customers.

These increases were justified as it was considered necessary to carry out the maintenance work to ensure continued reliability within the network.

It is currently believed that the regulated electricity price may actually fall slightly in the 2016/2017 financial year as maintenance costs fall.

However there is a more severe cost impact looming on the not so distant horizon for NSW electricity customers. That cost is the upgrading, maintenance, mothballing & replacement of current electricity generation infrastructure which is nearing either the end of its lifespan or reaching a point where it is not cost effective to keep it running for the amount of electricity it produces and provides to the grid.

This is not just a NSW issue, but a national issue, which needs urgent attention to ensure Australia has sufficient energy production capacity to support our population as well as support our economy in the coming decades. Australia's population has recently reached 23 million and is anticipated to be in excess of 40 million by 2050. It is also projected that NSW will see a significant amount of this population growth.

Given this fact it is paramount that steps be taken to ensure we have adequate energy reserves, and electricity production capacity, to support this substantial increase in requirements for stable electricity supply.

It is noted that a new coal fired electricity plant was recently approved for development in the NSW Hunter Valley and work has begun on the first major solar production facility in the Moree area of NSW. But is this sufficient for NSW's increasing electricity needs?

Does NSW, and Australia, need more investment in heavy carbon producing electricity generation infrastructure to supply our needs? Or do we need to invest now in carbon reducing, or carbon neutral, technology to ensure that the effects of climate change are reduced long term?

By setting an equitable feed-in tariff in NSW, in conjunction with a mandatory minimum FIT rate for net metered customers, the NSW Government could establish a stable market which would encourage further investment by NSW households and small businesses in solar PV. Such investment would greatly reduce NSW reliance upon current generation systems and provide ongoing electricity supply security.

By establishing a stable market in this manner would also encourage electricity retailers, and distributors, to investigate and develop better technology to enable enhanced storage and transmission of excess solar generated electricity which would lead to a reduction in the amount of electricity needing to be purchased from the generation systems during peak usage times.

An equitable feed-in tariff would drive investment in solar PV systems in the state, not only providing much needed infrastructure, but also guaranteeing a stable market and securing much needed employment opportunities for NSW.

It would also provide much needed value for NSW electricity customers who seek to reduce their electricity costs through installing solar and who to date have often received little, if any, benefit from installing their net metered systems. A large number of those that have installed solar PV systems since the end of the Solar Bonus Scheme have either increased their mortgages, or taken out loans, to fund the purchase and installation of their systems.

Often these households/families have no one at home during the day as the adults are required to work to cover their everyday expenses as well as pay the costs of the installation of their system. Therefore when their system is producing electricity there is no one at home to utilise the power they generate and all this electricity is fed into the grid.

If these people are lucky they may be receiving the 7.7c per KWh for their excess electricity, but as can be seen by reviewing the 'My Energy Offers' website only 1 retailer currently offers this minimum recommended voluntary feed-in tariff, but on average most miss out completely and still pay the full regulated electricity price and have no benefit for their excess electricity. How can this be considered 'fair' or 'equitable' for the people of NSW.

By establishing an equitable feed-in tariff for net metered customers now a stable market would be well and truly in place come 31 December 2016 when the Solar Bonus Scheme (SBS) comes to an end and all those on the SBS would have an assurance as to what they will receive for their electricity once their systems are converted from 'gross' metered to 'net' metered.

An equitable feed-in tariff would encourage more NSW households, and small businesses, to invest in solar. An equitable FIT would provide value for money for the investment NSW customers make in purchasing and installing solar systems. An equitable FIT would drive job creation and investment in the field and provide a stable footing for further advances in storage and transmission of excess electricity produced. An equitable FIT would strongly assist NSW to ensure security of supply of its future electricity needs.

## **Conclusion**

The Campaign For A 1 For 1 Solar Feed-In Tariff For NSW strongly recommend that IPART take the following action:

- 1. Set a mandatory minimum, floor price, feed-in tariff which all retailers must offer to their customers.**
- 2. Establish a 'fair & equitable' range for any feed-in tariff, which we state should be in the range of 14c to 20c per KWh for metropolitan customers and between 20c to 24c per KWh for non-metropolitan customers (based on current usage rates).**
- 3. Set a maximum difference between recommended feed-in tariffs and contract, or regulated, electricity charge tariffs.**

4. Put in place measures to prevent price gouging by electricity retailers who offer feed-in tariffs in conjunction with increased usage rates.
5. That IPART, and the NSW Government, give serious thought to the implications on future supply, and costs, if NSW electricity customers are not actively encouraged to invest in solar technology now by way of increased feed-in tariff rates.

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