

Submission to IPART - draft report on fair and reasonable feed-in tariff

All retailers should be required to offer a state determined minimum feed-in tariff to customers

The IPART determination of a fair and reasonable FIT should be the minimum that a retailer can offer. Page 83 of the IPART draft report suggests retailers set their own FIT rate, that regulation should only set a benchmark FIT range and that customers be allowed to “seek out an offer that best suits their circumstances”. Even with the extra guidance proposed on the page, the IPART suggestions gives insufficient recognition of the barriers to customers moving between retailers.

Many consumers are unsure and uncomfortable about the risks involved in moving to a different contract or retailer. This provides a disincentive to following better FIT offers and means there are barriers to competition operating optimally. Customers are unsure whether they may miss something in the fine print of an energy contract or misunderstand the implications. Also, there are many things to consider, all of which the average consumer probably feels unknowledgeable about. The IPART site (<http://www.myenergyoffers.nsw.gov.au/>) for comparing offers from energy retailers illustrates this. Things to be considered via the site include:

- Different contract periods and contract termination rates
- Different supply charges
- Possible extra cost if consumer does not sign up online
- Discounts and other incentives
- Green energy plans

These are further complicated when having to consider both gas and electricity. In addition, the myenergyoffers site recommends:

If you are thinking of entering into a market contract:

- *Confirm the exact tariff rates with the retailer.*
- *Ask when these tariff rates can change and when the next change will be.*
- *Ask whether there are fees for disconnection, early termination or moving house.*

This suggests that the consumer needs to be careful and needs to contact the retailer to confirm these points. This implies an additional time commitment on top of the confusion and uncertainty already experienced by the consumer. Since the consumer would have to consider all the above things as well as different FIT rates, there is a strong disincentive to changing to a better FIT rate.

Additionally, if regulation only mandated that the FIT be offered to customers on standard contracts, customers on non-standard contracts may be faced with termination fees that penalize any attempt to take up a better FIT offer. Therefore, the IPART determined fair and reasonable FIT should be the minimum offered for all customers.

Network costs

Page 3 of the draft report indicates that "Retailers still incur a range of costs for PV exports, including network costs and green scheme costs." It does not seem fair that the solar power being sold should have full network charges attached to it. Given that the solar power generated is usually consumed nearby, it would be fair that the network cost imposed on the solar energy is only a fraction of the network cost imposed on fossil fuel generated electricity that has to be

transmitted over long distances. The NSW government should mandate or negotiate so that only a fraction of the usual network costs are imposed on solar energy. This would allow the FIT tariff to be some cents higher.

Unfair costs currently embedded in the electricity system

Under the current system, some electricity consumers have to subsidise energy consumption of other consumers. An AEMC (Australian Energy Market Commission) report¹ shows that when consumers install air-conditioning (or other devices) that add to peak demand, this requires additional investment in the network, which is a large component of recent electricity price increases. The cost of system augmentation for **each 1kw** of air-conditioner is quantified as \$2,500 in a 2009-2010 performance report from Country Energy² (ND, p. 24), \$3,000 by a CSIRO Intelligent Grid report³ (2009, p. 127) and \$3,500 by the Federal Government Draft Energy White paper (2011, p. 175).

If the state is to have a fair electricity system then it needs to either subsidise solar and other renewables for the public good they produce through promotion of less carbon intensive electricity generation or find a way to avoid the subsidization of air conditioning and high peak energy use by less intensive users.

¹ <http://www.aemc.gov.au/Media/docs/Master%20document%20-%20CoAG%20Pricing%202011%20-%20Final%20Report%20-%20EPR0025%20as%20at%2012%20December%202011-569fdd7a-1de6-433b-96b0-a0334d29095d-2.PDF>

² http://www.essentialenergy.com.au/asset/cms/pdf/electricitynetwork/CE_NPR_0910.pdf

³ <http://www.csiro.au/Outcomes/Climate/Reducing-GHG/~media/CSIROau/Flagships/Energy%20Transformed%20Flagship/IntelligentGridReportFullReport ETF PDF%20Standard.pdf>