



13 July 2015

2015 Solar feed-in-tariff review  
Independent Pricing and Regulatory Tribunal  
PO Box K35  
Haymarket Post Shop NSW 1240

Via online lodgement.

## **Issues Paper — Subsidy-free value of electricity from small-scale solar PV units from 1 July 2015**

Origin Energy (Origin) welcomes this opportunity to respond to the Independent Pricing and Regulatory Tribunal's (IPART) Issues Paper on the subsidy-free value of electricity from small-scale solar PV units from 1 July 2015.

### ***The wholesale market method***

Origin broadly agrees with IPART's method for estimating the wholesale market value of solar PV exports, subject to a number of caveats. Firstly, with respect to forecasting the average spot price for 2015-16, IPART proposes to remove 5% from the wholesale market value as an assumed contract premium. In our view, the wholesale market value method should include a further discount to the future contract price to reflect the non-firm nature of solar PV energy. IPART ought to consider increasing the discount on the assumed wholesale premium to account for this difference between solar PV and other dispatchable generation.

In terms of its data requirements for the estimation of solar premiums, we note that IPART will be relying on half-hourly PV exports in the Ausgrid network area from 2009-10 until 2013-14. In calculating the solar premium, IPART will need to account for two contingencies in the data period prior to 2013-14: firstly, the carbon price that applied for a two year period beginning on 1 July 2012; and secondly, the temporal impact of solar PV on spot prices since 2009-10. Both of these factors have put an upward pressure on the solar premium prior to 2013-14 that will diminish from 2014-15 onwards.

Finally, with respect to calculating the weighted average loss factor, Origin agrees with IPART's decision to include all three network areas in this year's determination and support the averaging of loss factors on a weighted basis.

### ***Benchmark range***

In Origin's view, IPART's approach of using the two hour solar premium to set the top end of the benchmark range and the lower end based on the value of the other periods excluding the two hour premium, may not assist consumers with assessing different feed-in-tariffs. Taking the two hour premium and selecting it as the top of the benchmark range suggests to customers that this represents a fair value at all other times of the day. Additionally, Origin is comfortable with IPART providing an annual market update on the benchmark range if the Government believes it is a priority for consumers.

We note that IPART has traditionally identified a median wholesale market value for PV exports across all times of the day. Origin supports the continued use of a median wholesale market value and sees no justification for changing this approach, in favour of the mean or 25<sup>th</sup> percentile, to determine the retailer contribution.

***Further information***

Origin would be pleased to discuss any matters raised within this response with IPART. Please contact Timothy Wilson (Retail Regulatory Analyst) in the first instance on (03) 8665 7155.

Yours sincerely



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