Australia's future is SOLAR
Solar Energy Industries Association INC

Address: PO Box 517, Kempsey NSW 2440
Email: seia@seia.org.au or admin@seia.org.au
Phone: 02 6563 1022 Fax: 02 6562 5405
ABN: 51 798 083 437

31st January 2014

Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Office NSW 1230

mailto:http://www.ipart.nsw.gov.au/Home/For_Consumers/Having_your_say/Lodge_a_submission

SUBMISSION TO THE INDEPENDENT PRICING AND REGULATORY TRIBUNAL (IPART)

A RESPONSE TO THE TERMS OF REFERENCE FOR A FEED-IN-TARIFF FROM JULY 2014

Thank you for the opportunity to provide a response to your considerations.

1. The Terms of Reference as outlined in the issues paper limit meaningful input from all but electricity retailers and distributors.

> **The Australian Solar Industries Association (SEIA) maintains that the requirement of IPART as part of it's brief to "support the long term interests of consumers" has been abandoned in it's consideration of a Feed-in-Tariff**.
>
> Whilst we understand that the Terms of Reference are set by the NSW Government and the outcomes are subject to the whim of the NSW Government as to whether they implement the recommendations or not, it is still within the scope of IPART if it so chooses to consider other matters. This is spelt out on p19 of the Issues Paper, "IPART must undertake such consultation as is required under the Act and may undertake such further consultation as it considers appropriate."
>
> **SEIA is of the view that IPART could at least consider matters that support consumer's interests and report on those matters so they are in the public domain, hopefully prompting further discussion and action in the future.**
>
> Another area for "further consultation" would surely be the way the retailers, and hence the policies that affect the electricity pricing and subsequent Feed-in-Tariffs, are locked in to the way energy is priced when purchased from the NEM. Whilst IPART has no control over these matters, surely a recommendation in the report, that reforms to this pricing structure would assist energy retailers and also consumers, would be an appropriate course of action. In the words of the Productivity Commission in it's 2013 report, *" Delays to reforms cost consumers across the National Electricity Market (NEM) hundreds of millions of dollars."* Also *"These flaws require a fundamental nationally and consumer-focused package of reforms that removes the interlinked regulatory barriers to the efficiency of electricity networks."*

Without a more pro-active approach from IPART to utilize the full extent of it's charter, the issues of energy pricing, feed-in-tariffs and longer term consumer interests in NSW will languish under a 'business as usual' regime. SEIA is sure that the coal industry and the NSW Government will enjoy the continuing benefits of this policy environment.

2. Determination of the value of PV exports (IPART: 3.1.1 p11/12).

The issues paper uses an aged criteria to model pricing. Firstly the use of an average 1.5kW system is well gone and the average system size now being installed is now more than twice that figure. SEIA have no view as to whether this appropriate change will have a positive or negative impact on the value of PV exports.

Secondly, whilst the Frontier Economics report indicated no substantial differences between the effect of gross and nett metered systems on the value, most states across Australia have reduced the FiT such that almost all systems being approved and installed now are Nett metered and sized around self consumption of energy. Therefore it would make sense to do modeling for future impacts around nett metering.

The Australian Solar Industries Association (SEIA) recommends that an updated average system size for PV and nett metering be used in future modelling.

3. Choice of methodology.

Both the wholesale market value and the direct gain value methods are hobbled by the way power is purchased, as the network costs incurred by the retailers are the same whether the power is purchased from a supply hundreds of kilometres away or on their doorstep. This reduces their competitive offer and their ability to maximize the benefit from distributed energy.

SEIA asks that IPART through it's recommendations to Government support a restructuring of power pricing which will support the future of the growth of distributed energy input into the network that allows for a sustainable outcome for all stakeholders, including the generation industry, rather than have constructive changes blocked through a lack of vision and short term imperatives.

The changes to energy spot prices during peak loading times are a substantial factor and certainly need to be considered. The peak demand for power in many areas has fallen with the penetration of solar PV onto the network and this is already providing reduction in the wholesale price. Therefore, to consider the value as it is already with this high solar input is to disregard the financial benefit to the industry that this solar input has already created.

The modeling therefore needs to use the historical data which shows the spot pricing before the solar PV penetration, factor in the increases in temperature during that time which would have increased air conditioning loads, and hence determine the real value of solar PV to the network and price the feed-in-tariff accordingly.

In addition there is a definable benefit to the network in reduced capital expenditure, and a social benefit in reduced power outages during peak afternoon times which also has a value.

3. A feed-in rate.

Whilst IPART is recommending a fixed rate, there are substantial tariff differences of up to 8¢ between urban and rural areas. Solar PV systems in areas of low population reduce the effect of line losses much more than in areas of high population and larger distribution networks. Therefore to provide these rural areas with the same FiT as the cities is inequitable. If the FiT was recommended as a fixed percentage of the tariff being charged, this would provide a small advantage to those rural consumers, and also benefit the network.

SEIA recommend a floating percentage rate for the Feed-in-Tariff, which would have the following additional benefits:

Energy consumers would benefit as the rate of a Feed-in-Tariff would change automatically with price increases, providing a hedge against inflation and providing certainty in terms of the investment made.

Energy retailers would benefit as they would retain their margins, would not have accrued liabilities with accumulated credits, the billing procedures would reduce administrative costs, and if they negotiated reduced energy costs for a consumer, then the applicable Feed-in-Tariff for that consumer would also automatically reduce.

The general public would benefit from a simple formula for power purchase and export and they wouldn't need to negotiate the minefield of offers from energy retailers in which the real costs are buried in the fine print.

Yours sincerely.

BRIAN ENGLAND
National Chairman
Solar Energy Industries Association Inc