



Sustainable Living Armidale, P.O. Box 85, Armidale NSW 2350

## **Submission to The Independent Pricing and Regulatory Tribunal Solar Feed-in Tariffs: Setting a fair and reasonable value for electricity generated by small-scale PV units**

SLA believes NSW should aim to reduce as quickly as possible our CO<sub>2</sub> emissions that are directly and indirectly due to energy use by people in NSW, while maintaining a reasonably reliable grid power supply. We hope NSW will not only achieve a reduction of emissions by 20% by 2020 but achieve it sooner by reducing emissions from all sources. Changes in operating the electricity system must facilitate energy efficiency and movement toward renewable energy generation in order to achieve an overall reduction of our emissions.

### **FAIR AND REASONABLE?**

Your report on a fair and reasonable value for electricity generated by small scale solar depends on an interpretation of 'fair and reasonable'. We believe it is not fair and reasonable for the residents of NSW or the rest of the world to maintain or increase greenhouse gas emissions. Decisions that foster energy efficiency and a renewable energy economy are fair and reasonable because they are the most effective ways to reduce emissions. It is not fair to electricity consumers to only look at this issue from the perspective of price. Setting a fair and reasonable feed-in-tariff for small-scale solar should be consistent with this perspective.

### **NATIONAL FIT SYSTEM**

We support a national feed-in-tariff but because of the urgency of reducing Australian greenhouse gas emissions and the termination of the previous NSW FiT system, we accept that at the present time we need to address State policy.

### **SUBSIDIES**

We would support a feed-in tariff for small-scale solar PVs commensurate with the time-based market price of renewable energy **if** the NSW Government's financial support for non-renewable energy is removed. If coal generation and coal mines receive government support then shouldn't all forms of renewable energy? We strongly recommend you raise this in your report.

The most egregious example is probably the State Government's \$1.5 billion investment to develop the Cobar Coal mine. (Note the Tamberlin inquiry) It is our understanding that the Cobar mine will be supplying coal to Australian power generators for the next 20 years at less than 50% of the price the coal would bring on the international market and considerably below the national price because the NSW government will underwrite the price.

No doubt the Government will argue this is outside the terms of reference but as PVs will operate for at least 20 years, thus overlapping with the Cobar coal, they will be in competition. Surely it would be cheaper overall not to develop the mine or, at least, to sell the coal abroad and put our resources into energy efficiency and into renewable generation.

By transferring subsidies from coal to Renewable energy, the NSW Government would not need additional revenue and would ensure we meet the modest target of 20% of our energy from renewable generation by 2020. The International Energy Agency recognises that fossil fuel subsidies world-wide are at least \$500 billion per year. Fossil fuels industries in Australia have and still do receive large subsidies and infrastructure support. Most of these companies have been making massive profits from plants that were constructed with vast support from Australian or State tax payers.

Most nascent industries need initial support to develop the skills and technology required. But surely fossil fuel industries should no longer receive support and should contribute to the costs of running related infrastructure.

### **MERIT ORDER EFFECTS IN DETERMINING A PRICE**

The costs and benefits of distributed/embedded generation to networks and retailers are uncertain, as is the merit order effect of renewable energy on annual costs (which requires research on such benefits as rooftop PVs during heat waves and other hot days), contributing to the difficulty at this point of determining a 'fair and reasonable price' even just on financial grounds.

In determining the feed-in price, you need to think not only of the usual price but also of the spot price during periods of excessive demand. This requires consideration of time-based, season-based analysis and pricing. Just as time based charges for usage encourage households and businesses to shift some of their demand for energy away from peak periods, a time-based FiT system will encourage installation of rooftop solar that maximises output during peak hours, where practical.

Whatever you recommend should encourage efficiency in energy use and in the whole National Electricity System, which now includes rooftop solar.

### **FAIRNESS AND CONSISTENCY**

We believe rooftop solar should be valued as an element of the national electricity system and that growth in this sector is appropriate, though not to the exclusion of other renewable generation. The lurch between support and complete abandonment of a FiT system in NSW has been devastating and unfair for many people who have moved into renewable energy installation only to find the market collapse. We need a consistent policy about the price of rooftop solar that provides confidence within the industry. The FiT should be high enough to ensure that those who have developed skills continue to be employed as we make the transition to a renewable energy economy. We need these people to stay in the industry.

The signal sent about rooftop solar is relevant for other small scale energy generation. One of the major obstacles to developing community level renewable energy projects, such as a wind farm, is the uncertainty about a power purchase agreement.

### **AVAILABLE CAPITAL FOR NEW GENERATION**

What price would attract more investment without costing ordinary consumers significantly more? The design of the 60c FiT made it "too good" for investors, at the expense of the tax payer but there may be a sweet spot in pricing, a FiT design that saves the Government from having to invest as much in infrastructure, saving as much or more than it costs. Both the growth in rooftop PVs before the 60c FiT was introduced and the subsequent boom showed that many home owners who do not normally buy shares in energy companies, as well as small businesses, were willing to invest capital in renewable energy. Given the need for capital investment to change our power supply system to a renewable base, the FiT should be

designed to continue to attract some investment from people who wish to see this change occur but are reluctant to invest through big power companies.

**We recommend a net feed-in-tariff that approximates grid parity for new systems for a fixed period of time**, perhaps five years from the date of connection, after which a slightly lower price should be set that in part reflects the value of PV exports to retailers and in part reflects the other issues raised in this submission. This would encourage the installation of more PVs by ensuring that people can predict how much of their investment will be returned in a given period of time. Those households who are currently receiving a NSW feed-in tariff, could also receive the same lower price once their contract ends. A net tariff rather than a gross tariff encourages people to minimise their energy use through energy efficiency and reduction.

### **USAGE VERSUS SERVICE AVAILABILITY COSTS**

One final note, we have been very disappointed that the set daily connection cost to households has risen so steeply. Surely it is better to raise the usage cost, perhaps with differential pricing depending on the amount of energy drawn, in order to encourage households and businesses to use less energy.

### **CONCLUSION**

We occasionally find ourselves holding the cynical view that the NSW Government might not want either increased energy efficiency or increased rooftop solar installation because both would lower the demand for traditional modes of generation from fossil fuels and consequently lower the profits of the traditional generators, unless the price those generators can charge for electricity is increased. We trust you will appreciate that it is fair and reasonable to foster a transition to renewable energy and greater energy efficiency, and that prices should be set in ways that support such a transition rather than supporting burning fossil fuels. Just as it would be impractical and undesirable to have a 'transition' in which all traditional generators suddenly went broke or consumers couldn't afford electricity to cook dinner, it is impractical to wait for cheap efficient renewable energy sources that meet every aspect of demand to suddenly appear. The transition should build on the community's enthusiasm for renewable energy (as demonstrated even before the overgenerous previous FiT system). It should support the use of existing renewable energy technologies until improved alternatives become available and support research and development of these improved technologies. We look forward to iPART making recommendations that enable this transition.

### **WHO WE ARE:**

SLA (Sustainable Living Armidale, a Transition Initiative) is a broad-based community group, established in 2007 in response to the challenges of peak oil and climate change. We hold monthly public meetings drawing on the breadth of knowledge within Armidale, hold film viewings with discussions, hold a monthly information stall in the mall as well as dividing into interest groups -- food, energy, transport, education, community-- to promote local initiatives. This submission has been written by our energy group.

Thanks you for allowing us to make a submission.

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