QCOSS Energy Consumer Advocacy Project

# QCOSS Submission to QCA Draft Report: Estimating a Fair and Reasonable Solar Feed-in Tariff for Queensland

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QCOSS
queensland council of social service inc
WORKING FOR A FAIR QUEENSLAND

## Introduction

The Queensland Council of Social Service (QCOSS) is Queensland's peak representative body for the community services industry. We represent approximately 600 member organisations working across Queensland in a broad range of portfolios. We support organisations in working to address the causes of poverty and disadvantage. A key part of this role is our engagement with the State Government to secure the best outcomes for QCOSS members and support the needs of vulnerable Queenslanders.

QCOSS has been funded by the Department of Energy and Water Supply and Department of Justice and the Attorney-General for an energy consumer advocacy project in Queensland. The purpose of this project is to advocate on behalf of Queensland consumers and particularly vulnerable and low-income households in relation to energy policy and pricing.

We thank the Queensland Competition Authority (QCA) for considering our submission on the earlier Issues Paper and including some of our comments in the Draft Report. We welcome the opportunity to expand on those comments in this response to the Draft Report.

## Estimating a 'Fair and Reasonable' Value for PV Exports

The costs to consumers arising from the distributor-funded 44-cent solar feed-in tariff have been significant. While some individuals have been able to enjoy significant benefits, the majority of consumers face higher electricity prices as a result of the policy. This is clearly not an equitable outcome and we acknowledge that this review is intended to address this by recommending a more equitable, fair and reasonable approach for the future.

Given the significant detriment already created for consumers through higher electricity prices, we believe it is important that further detriment to consumers is avoided, particularly for those not currently able to install a solar photovoltaic (PV) system. This may mean exercising caution in setting the fair and reasonable feed-in tariff value at a level which ensures that whoever pays the feed-in tariff is not forced to incur costs in excess of the direct financial benefit they receive (as these costs are then likely to be recouped through higher prices across the entire customer base).

QCOSS supports the implementation of a retailer-funded feed-in tariff, as has been adopted in other Australian states following extensive consultation. QCOSS agrees with the QCA that the 'fair and reasonable' feed-in tariff should be set at the value of the direct financial benefit to retailers from on-selling electricity exported by PV customers to the network. Setting the retailer-funded feed-in tariff at a rate any higher than the direct financial benefit to retailers is likely to result in retailers' increasing electricity prices for all customers to cover costs that exceed the benefit they receive. This would be inequitable for customers without solar PV as they would face higher electricity prices without receiving the benefit of payment for any installed solar PV generated and exported to the grid.

**Implementation the solar feed-in tariff**

We acknowledge the unique challenge faced in setting solar PV feed-in tariff in regional Queensland. In this instance we support the QCA's proposal to mandate a minimum feed-in tariff value in the Ergon Energy distribution area to ensure equity for regional solar PV consumers in line with the Queensland Govermment's Uniform Tariff Policy.

While there is greater competition in South East Queensland, effective competition requires transparency and clarity of information to allow consumers to compare market offers and make decisions based on their individual circumstances. While some solar PV customers are well-informed, QCOSS has anecdotal evidence to suggest than many solar PV customers are not any better informed that the average energy consumer. QCOSS is concerned that these solar PV customers will be unable to easily shop around to benefit from competitive market offers. We note that there are a number of new retailers operating in Queensland specifically targeting solar PV customers, and that one of these retailers is charging an 'export fee' to solar PV customers. Without clear and transparent information about the different market offers, there is a risk that consumers may choose offers that contain hidden fees and charges or other terms that diminish the true value of the offer.

Currently there is no independent price comparison tool that enables Queensland solar PV customers to compare market offers with a solar feed-in tariff component. QCOSS notes that implementation of the National Energy Customer Framework (NECF) in Queensland would enable solar PV customers to access the Australian Energy Regulator's Energy Made Easy website, which provides an independent online price comparison resource including information on offers for solar PV customers. An alternative would be for the QCA to incorporate solar PV offers into their existing price comparison tool.

Given the lack of transparency about the solar PV component of market offers in Queensland at the present time, QCOSS believes it may be necessary to provide a minimum regulated solar feed-in tariff rate to provide certainty for consumers in the interim. This could be reviewed after one year to monitor whether the market is providing effective competition for solar PV customers and take into account any changes to the status of the NECF or development of other independent price comparison mechanisms for solar PV in Queensland.

**Equitably sharing the ongoing costs of the Solar Bonus Scheme**

In our response to the Issues Paper, QCOSS provided support for sharing the ongoing costs of the existing Scheme more equitably by obligating retailers of Scheme customers to make a contribution to the 44 cents per kilowatt hour feed-in tariff payment. We continue to hold this view in light of the estimated reduction in electricity costs this would provide to all customers, including those without solar PV. This change, in combination with the recent decision to spread the cost of the scheme over large customers as well as small customers, are positive steps to reducing price increases relating to the Scheme for Queensland households.

While QCOSS is supportive of efforts to reduce the burden of the network cost component of electricity bills on all consumers, we would not support a targeted increase in network tariffs for PV customers, particularly without detail about the extent of this additional charge. There is little information about the profile of solar PV customers and their capacity to afford significant changes in the costs associated with their solar PV investment. We acknowledge that some consumers have invested in large systems for investment purposes; however we also have anecdotal evidence to suggest that some low income consumers have taken out substantial loans or entered into interest-free arrangements to fund their investment into modestly sized solar PV. In particular, many pensioners on low fixed incomes have invested in solar PV systems as insurance against escalating electricity costs. These households may not have the capacity to pay increased network charges. Adjusting the network tariffs to increase their electricity costs despite their reduced consumption could make it difficult for them to meet their repayments or other ongoing costs.

Despite the unexpected cost of the initial scheme, we do not believe customers who signed up to the scheme in good faith should be adversely impacted by retrospective changes to the arrangements, including targeted changes to their tariff structure. We understand there is a process underway to transition all consumers to greater cost reflectivity over the next three years which is likely to result in higher fixed network charges for all customers, including those with solar PV systems.

**Processes for ongoing review**

We agree with the QCA’s position that the benchmark value should be updated on an annual basis, concurrent with the QCA’s review of notified retail electricity prices. This would ensure regular monitoring of competitive market offers and ensure customers are provided with up-to-date indication of the value of their exported electricity taking into account changing trends over time. Should a minimum mandated rate be implemented, this could also be reviewed to determine whether the market was showing sufficient signs of allowing a shift to a voluntary feed-in tariff arrangement.

We also suggest an annual review process would be a relatively effective way to consult on solar feed-in tariff processes and would provide opportunity for stakeholders to engage and comment on this at the same time as responding to the determination on regulated retail prices.


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