



A U S T R A L I A N
SOLAR COUNCIL
THE NATIONAL VOICE OF SOLAR

**Australian Solar Council Submission on
Queensland Competition Authority Issues Paper
*Estimating a Fair and Reasonable Solar Feed-in
Tariff for Queensland***

Dear Sir/Madam

Thank you for the opportunity to respond to the Queensland Competition Authority's Issues Paper *Estimating a Fair and Reasonable Solar Feed-in Tariff for Queensland*.

The Australian Solar Council is deeply concerned that the Queensland Competition Authority appears to be recommending a minimum price gross feed-in tariff. This proposal has the potential to destroy Queensland's solar industry. The Australian Solar Council will strongly oppose any such recommendation.

The Australian Solar Council's understanding is that a gross feed-in tariff would require all Queenslanders with solar panels to export all their generation to the electricity grid, receiving around 8 cents per kilowatt hour. They could not use the generation from their solar systems to meet their own needs, thereby avoiding purchasing power from the electricity retailer, which is charged at around 20-30 cents per kilowatt hour. This would severely disadvantage householders who want to take action to reduce their power bills and tackle climate change.

Matthew Wright of Beyond Zero Emissions has suggested:

"This is like telling someone they aren't allowed to eat the fruit and vegetables grown in their own backyard and must sell it to the local Coles or Woolworths where they'll then have to buy it back at a substantial mark-up."

The Australian Solar Council supports the view of the Solar Business Council, expressed in their submission to the Queensland Competition Authority, that failure to implement a net feed-in tariff (versus a gross feed-in tariff) that enables potential solar PV system purchasers to benefit from generating and consuming their own power would be anti-competitive and entrench the market power of the vertically integrated "gentailers".

A minimum price gross feed-in tariff would be a barrier to the participation of individuals in the solar market as it prevents investors in solar PV systems from receiving a reasonable share of the benefits that result. It would also fail to encourage energy efficiency, at a time when Queenslanders should be encouraged to take action to tackle climate change and reduce their power bills.

As the Solar Business Council notes, a gross feed-in tariff would result in:

- Less deployment of systems;
- Less energy efficiency in the market;
- Less downward pressure on wholesale electricity prices;
- Less reduction in losses;
- Less deferment of expensive investment in network infrastructure; and
- Less competition for energy generators and retailers.

The Australian Solar Council also believes the proposal for a minimum price gross feed-in tariff is inconsistent with the COAG National Principles for Feed-in Tariff Schemes, which states, among other things, "that Governments agree that residential and small business consumers with small renewables...should have the right to export energy to the electricity grid and require market participants to provide payment for that export which is *at least equal to the value of that energy in the relevant electricity market*". The Australian Solar Council believes this important principle is the basis for its view that Queenslanders should be paid the same amount for the clean power they produce as they pay for power from the electricity grid.

About the Australian Solar Council

The Australian Solar Council (formerly the Australian Solar Energy Society [AuSES]) is one of the world's oldest solar associations. For 50 years, it has brought together industry, academics and the broader community to promote scientific, social and economic development through the environmentally sound use of solar energy. In August 2012, AuSES announced it was repositioning, rebranding and renaming itself as the Australian Solar Council, the national voice of the solar industry.

The Australian Solar Council's membership is in the thousands and includes companies working in residential, commercial and large-scale solar; academics; and interested Australians. The Solar Council is a not-for-profit organisation and is governed by a volunteer board elected by its members. It is a leading member of the International Solar Energy Society.

Responses to Specific Questions

3.1 A: *How should the term fair and reasonable be interpreted? Should it be interpreted as a subsidy-free value that reflects the benefits to retailers of electricity generated from small-scale PV generators? If not, how should it be interpreted and why?*

“Fair and Reasonable” should be applied to all stakeholders such that:

1. The benefits of reduced wholesale electricity costs that result from the deployment of solar PV systems should flow to all consumers in the Queensland electricity market – a net benefit that is a fair and reasonable return on the costs of meeting 2 through 4 below
2. Investors in PV systems get a fair and reasonable return on that investment – not more or less than is reasonable.
3. Retailers should make a fair and reasonable margin on the power they acquire as a result of any FiT – not more or less than on power from other sources.
4. Distributing the exported power should not be a net cost to the distributors – it should not reduce their regulated return on assets.

3.1 B: *Should the Authority include the benefits associated with PV exports to other parties (all customers and distribution entities) in setting the fair and reasonable value?*

Yes, this would be fair and reasonable.

3.1 C: *Are there any other issues that the Authority should consider in interpreting the term fair and reasonable value?*

As is now widely acknowledged (including by AEMO and the Australian Minister for Energy), the deployment of roof top PV systems has, and continues to suppress apparent demand – demand through the market. This has the effect of reducing both the volatility and level of wholesale electricity prices. These reductions flow through to all stakeholders in the market. For the Tariff to be fair and reasonable, it needs to recognise this value and adequately reward those that invested to create it – with a fair and reasonable share of the savings.

3.2 H: *Is it fair and/or reasonable to have different FIT based on geographical locations in a market with the Uniform Tariff Policy in place? What are some of the benefits or complications of creating geographically based FIT?*

It is both fair and reasonable to have geographic variations so as to reward (and incent) investment in locations that will provide the most benefit. Such an approach can maximise network benefits such as avoided losses and investment deferment. In order to be practical, the geographic areas need to be reasonably broad brush and simple to operate as being too granular will incur administration complications that will dilute the benefits.

The Queensland Competition Authority should look to the example of Horizon Power in Western Australia as an example of the use of a differentiated feed-in tariff to address specific geographical issues.

3.2 I: *What other issues should the Authority consider in determining the fair and reasonable value of PV exports?*

The Authority should consider the extent to which PV reduces volatility in wholesale electricity prices, such as has occurred in the past three years. This reduction in volatility should reduce retailer's risk margin, therefore allowing the benefit brought by PV to be passed on.

The Authority should also consider the real difference between the total power generated and the exported power.

- A net FiT allows consumers to generate and use their own power, and benefit from this – in effect, sourcing power from themselves.
- A gross FiT treats all power as being exported (whether or not the power is consumed on the generation premises) which effectively prevents a user from generating and using their own power. This is clearly providing existing generators and retailers with an unfair advantage and is a barrier to increased competition for their products and services.

The Queensland Competition Authority should recommend a non-discriminatory approach to feed-in tariffs, ensuring Queenslanders are paid the same amount for the power they produce as they have to pay for power from the grid.

4.2 A: Is a net or gross metering arrangement most appropriate in Queensland, and why?

A net metering system is appropriate because:

- The most efficient and best value approach to embedded electricity generation is to encourage users to generate and consume their own power. This outcome reduces the pressure on networks, reduces peaks and increases competition in the electricity market.
A lower than retail price based net FiT provides the best incentive for consumers to meet their power needs with their own generation.
- A gross FiT that is significantly below the retail price would be anti competitive in that it would:
 - *Would prevent individual consumers from self sourcing at least some of their own electricity;*
 - *Discourage the broadening of the ownership of the electricity generation base;*
 - *Protect electricity retailers from competition from self generators;*
and

- *Prevent solar PV system owners from accessing a reasonable value for the power they produce – while allowing centralised generators to access the full value of their generation.*
- A gross FiT that is around or above the retail price of electricity would provide the solar PV system owner with a level of return that is unreasonably high and create an unreasonable burden on the broader community.

I would welcome the opportunity to discuss this submission further, and can be contacted at ceo@solar.org.au or on 0400 102 396.

Yours sincerely

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