SEIA
Australia's future is SOLAR
Solar Energy Industries Association INC

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SUBMISSION to the QUEENSLAND COMPETITION AUTHORITY

Overview

SEIA is a body representing installers and small to medium businesses in the solar industry where the focus is on the residential and small to medium commercial market. This customer base has only one major concern with regard to power costs and that is to relieve or minimise the burden on family incomes and business bottom lines by reducing power costs.

It is therefore important that pricing and policy decisions in relation to energy sources and distribution provide a competitive market and that prices for energy are not artificially high due to unfair protection of energy generators and resellers.

This is especially important in the changing energy environment in which we operate. The need for structural changes to reflect the growing 2-way nature of our distribution network has been commented upon by many stakeholders. These necessary changes will only occur in a market place based on a level playing field where the full costs of energy supply are factored into the pricing decision.

In relation to the price for coal fired power, many costs are factored in but some of the major costs not included are the environmental costs and the health costs associated with this energy production. In addition, the charges for service availability, which are in large part unregulated, now constitute a major component of a power bill. These charges make a comparison of energy costs between different technologies impossible and so are in large part anti-competitive. The service availability charges are often not mentioned by energy retailers when encouraging consumer switching. They often focus consumer information on the power rate and discount levels to provide a false picture of the real cost of power. The service availability charges should instead be required to be built into the regulated kWh costing to provide the real power costs to consumers and a level playing field.

If coal fired generation has hidden costs to the community which are not included in the regulated setting of power costs, then it is important that when determining a fair cost for solar (or other renewable) power, that the additional advantages provided are factored into any cost assessment. For distributed energy these include reduced transmission losses, improved power integrity on regional transmission lines, potential to reduce peak loading, reduced capital expenditure on generation capacity, reduced health risks and reduced environmental damage.

SEIA's approach

The solar industry does not want retailers to be bearing the cost of distributed energy production. It is only wanting a price for power that reflects the true value of that power. To set it against a subsidised production cost of coal fired power is anti-competitive and dis-enfranchises those who wish to seek a more sustainable and cost effective solution to their increasing power bills.

SEIA acknowledges that the energy retailer needs to have sufficient margin in on-selling power to cover their costs. This has been shown in your briefing document to be around 7.5% plus a contingency factor of another 5%, a total of 12.5%. SEIA is therefore asking for a price for distributed energy be set at 80% of the billing price, providing retailers with a 20% margin.

SEIA also acknowledges that a large number of distributed energy installations that are installed as a financial investment rather than to meet on site rising power needs can distort the market. This has been the result from over generous Feed-in-Tariffs (FiT) in a number of States, which can result in customers becoming creditors for the retailers rather than debtors. SEIA therefore proposes that a condition of the proposed 80% Feed-in-Tariff be that any consumer will be unable to have a bill in credit due to FiT for any billing period. However such credits that are able to be generated can be credited against the unregulated and uncompetitive service availability charges.

In relation to some of the questions raised in your briefing document:

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?

The terms 'fair and reasonable' should relate to all stakeholders in the energy chain and should be dealt with as a level playing field with the benefits and costs for each technology fully costed to provide a real comparison. Anything less is anti-competitive.

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? Why?

The additional benefits provided by PV should be included. Without inclusion such an approach does not truly represent PV as an alternative and is therefore anti-competitive.

c. Are there any other issues that the Authority should consider in interpreting the term fair and reasonable value?

IPART recognises that the current National Electricity Rules were written before distributed generation was material, and thus need review. So long as the National Electricity Rules' discrimination against distributed generation continues, provision to PV owners of 'fair and reasonable' value for solar exports is impossible without regulation.

For example, the QCA's proposed methodology will result in full DUOS fees being incurred, even though PV uses only a small amount of the network and reduces peak demand (to varying degrees). It is reasonable for solar power generators to contribute to network costs to the extent that they use the network. Another example is the double charging of green fees (RECs) on solar exports which was highlighted by IPART (Green fees are levied on gross imports, rather than net consumption).

Service availability charges should be either removed or regulated along with other power costs. They distort the real energy costs for most consumers.

3.2

b. Is it reasonable to use cost estimates from notified prices to determine the feed-in tariff? If not, which cost estimates should the Authority consider using?

As distributed power uses a small part of the network and assists in reducing peak demand it should not be subject to the same distribution costs. The power is generated close to where it is used, with no real infrastructure expenditure required on the part of the network providers. Therefore the costing should be based on the current power cost structure, less a margin for retailers to operate.

c. What proportion of distribution losses are avoided when PV exports are on-sold?

The current National Electricity Rules prevent recognition of fact that PV exports only use a small portion of the grid, and that PV production reduces peak demand in some locations. Specific power flows of exported distributed generation are invariably over far smaller distances than for the centralised energy, thus having lower losses. PV generation (whether exported or consumed on site) also reduces the nodes' loss factor, a benefit for all customers on that node (and the retailers that service them).

d. Is it reasonable to split retail margin and headroom between the retailer and the PV exporter? What are some of the considerations in providing a greater proportion of the costs to either party?

As indicated above, there is no need for a split, but rather determining what margin retailers need to on-sell energy that has cost them very little and can be sold to nearby consumers for full price. As previously indicated SEIA believes that on the information to date, a 20% margin is reasonable and it provides consumers sufficient benefit (80% of FiT) to invest in solar and reduce power bills.

e. 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?

Location-based feed-in tariffs are reasonable. The solar industry is sophisticated enough to handle the complications of geographically-varying Feed-in Tariffs, so long as there is sufficient difference (i.e. benefit) to warrant the additional complication. Regional areas are already being charged greater rates for power than in cities due to the extra costs involved in distribution. Therefore it is also reasonable that the FiT should reflect the extra benefit that may be provided by distributed energy. Horizon Power in Western Australia have recently provided FiT rates ranging from 10¢ to 50¢ depending on location.

f. What other issues should the Authority consider in determining the fair and reasonable value of PV exports?

A percentage based FiT provides for regional variation in power costs, is automatically indexed against price changes, and is suited to time of day metering or fixed tariff metering.

4.1

c. What evidence is available of the number of solar PV customers receiving voluntary feed-in tariff premiums in Queensland? Does the level of these tariffs represent a fair and reasonable value for the electricity exported by solar PV customers?

Without a mandated FiT, the retailers have shown in other States that they will provide only the bare minimum of FiT they can in order to sign up a new customer. This is a selling technique, not a reflection of the true value of that power. This was shown by IPART in NSW removing a FiT comparison chart from their website under pressure from retailers. FiTs should be mandated by regulation.

4.2

a. Is a net or gross metering arrangement most appropriate in Queensland, and why?

b. Are the benefits to retailers different under net and gross metering arrangements?

c. Are there any other factors the Authority should consider when recommending an appropriate metering arrangement?

A Gross metering arrangement is only appropriate for large generators who are providing power at contracted rates, not for small power generators who are simply after self consumption of power to reduce bills.

For small producers of distributed energy, a gross metering arrangement was only of advantage when the FiT was greater than the retail rate for the power. This high level of FiT is not supported by SEIA as it provides some short term benefits but is not sustainable. Therefore a FiT at a level of retail less retailer margin is appropriate for a net meter where self consumption rather than export is the prime focus.

A gross metering scheme requires constant review which adds cost and complication to it's administration.

A gross metering scheme at the proposed rate of 8-10¢ would lead to the demise of the Queensland solar industry, leaving nobody to service and maintain the millions of PV panels currently on roofs. It would cause massive layoffs in the industry and send many solar businesses to the wall.

Thank you for the opportunity to add our voice to your deliberations and we trust that the decisions you make will provide stability and sustain the solar industry into the future and allow consumers the opportunity to reduce their power bills by investing in solar energy. Decisions that provide that support will also provide direction for network providers and retailers on which basis they can seriously undertake the work needed to take the networks out of the 20th century and provide the whole community and all stakeholders with a smart grid for the 21st century.

Yours sincerely,
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