

Submission to the “2015-16 Minimum Retailer Solar Feed-in Tariff”

“The Commission’s primary objective is the protection of the long-term interests of South Australian consumers with respect to the price, quality and reliability of essential services.

One of the Commission’s functions in the electricity industry is to regularly determine the minimum price which electricity retailers must, under the provisions of the Electricity Act 1996 (Electricity Act), pay to residential and small business electricity customers (PV customers) whose solar photovoltaic generators (PV units) feed electricity into the distribution network - the Retailer Feed-In Tariff or R-FiT.”

These two paragraphs are a complete contradiction to each other and ESCOSA’s previous decisions have demonstrated that the electricity retailers win out in all cases when it comes to the export of “solar” electricity into the grid. I am not aware of any pending changes to the decision making processes within this review that will ensure a consideration of the “primary objective” for residents with solar power, however I shall still present an argument for such a change.

I only need to go back to ESCOSA’s determination on the 24th July, 2014 when the carbon tax was removed by the Federal Government. The removal of the carbon tax meant that all prices that had previously risen (by up to 10%) were legally required to change again by the same amount, and the Federal Government advised the community to report on any business that attempted to defraud customers by not complying.

As a consequence of the removal of the carbon tax, ESCOSA released a determination that reduced, by 21%, the refund that electricity retailers need to pay owners of solar power systems for electricity fed back to the grid, by generators that produce electricity with zero CO₂ emissions. (for those not clear on the maths of this: the existing price was 7.6c/kWh and this was reduced to 6c/kWh – a change of 1.6c/kWh. AND 1.6/7.6*100=21.05%). Thus ESCOSA was authorising electricity retailers to breach the Federal Government’s decree about customers being cheated.

The ongoing yearly financial loss for owners of solar power systems in SA for this decision by ESCOSA amounts to \$9,720,000⁽¹⁾.

Compounding the above decision is the fact that there was never an increase in the R-FiT when the carbon tax was introduced, so to reduce the R-FiT with the utterly flawed logic that because the carbon tax was reduced then the R-FiT should be reduced, actually doubles the dishonesty.

And so on to the current proposal by ESCOSA to reduce further the price that retailers pay for solar electricity.

“The Commission is proposing a reduction in the minimum R-FiT from 6.0 cents per kWh to 5.3 cents per kWh from 1 January 2015, reflecting a reduction in the forecast wholesale cost of electricity to retailers.”

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The current philosophy of applying an annual average minimum wholesale price for solar electricity is completely flawed. One only has to look at the AEMO graphs displaying the changes that occurs every half hour in the market’s wholesale price of electricity to see that the night time wholesale price is less than the daytime wholesale price.

Solar electricity is only generated during daylight hours so a purchase price for this should be time dependent, and should more reflect the price profile of electricity from peaking stations (which can charge up to \$13/kWh).

At the very least, the wholesale price for solar electricity should be calculated on a solar hours factor and not on a 24 hours per day basis, like base load stations.

Looking again at the financial penalty that will be imposed on residential and small business electricity customers, this further reduction of 0.7c/kWh equates to an additional annual loss of \$4,252,000.

If I add in the ESCOSA determination that came into effect on 1st Jan 2014 where the R-FiT was reduced by 2.2c/kWh and the subsequent loss to residential and small business electricity customers was \$13,365,000 per annum, then in total these three determinations will cost residential and small business solar electricity customers \$27,337,000 every year – that money instead going to electricity retailers and on to their shareholders. ⁽¹⁾

This massive loss will have been imposed on “South Australian consumers” in just over 12 months just because they have installed solar power systems. How does this possibly line up with “the Commission’s primary objective”?

RECOMMENDATIONS:

- 1) That ESCOSA reverses the action it took in July, and increase the R-FiT by 1.6c/kWh, because their decision was based on a complete falsehood that there was a component of carbon tax in the R-FiT.
- 2) That ESCOSA base any further decisions on R-FiT price changes by taking into account the higher wholesale price of electricity during solar daytime hours.

⁽¹⁾As reported in ESCOSA’s *Draft Price Determination Statement of Reasons, October 2014*; “As at 30 June 2014, data provided by SA Power Networks shows that there were 168,122 PV customers in South Australia (approximately one-in-five South Australian residential and small business customers), with the aggregate approved PV unit capacity of around 603 MW.”

Annual daily average solar generation in SA is about 4.6kWh/kW, so 603MW generates 2773MWh/day
1.6c/kWh loss = \$44,380.80/day, or \$16,199,000/year.

Exported electricity is about 60% of total generation and 60% of \$16,199,000 = \$9,720,000

For 0.7c/kWh: \$9,720,000/1.6*0.7=\$4,252,000

For 2.2c/kWh: \$9,720,000/1.6*2.2=\$13,365,000